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Evaluation of the Administration of the Title X Program



**U.S. DEPARTMENT OF COMMERCE
Economic Development Administration**



EVALUATION OF THE ADMINISTRATION

OF THE TITLE X PROGRAM

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EXECUTIVE SUMMARY

Title X (Job Opportunities Program) of the Public Works and Economic Development Act of 1965 was signed into law on December 31, 1974. This act authorized \$500 million for the Economic Development Administration (EDA) "to provide financial assistance to stimulate, maintain or expand job creating activities in areas, both urban and rural, which are suffering from unusually high levels of unemployment."*

The Title X Program was carried out over a period of one year, from December 31, 1974, through December 31, 1975. During this time, EDA allocated funds for over 2,200 job-creating projects. To determine the overall effectiveness of Title X, EDA has undertaken two evaluations of the program. The first of these, which is presented in this document, deals strictly with the administrative aspects of the program. The second, which is ongoing, encompasses Title X's direct impacts.

The evaluation of the administration of the Title X Program has three primary objectives:**

1. To describe the program's history and purpose.
2. To describe the program's administration and implementation.
3. To determine and evaluate the extent to which the administrative aspects of the program satisfied the legislative requirements of the Title X Act.

* - The Job Opportunities Program was enacted as Title III of the Emergency Jobs and Unemployment Assistance Act of 1974 (P.L. 93-567), which established Title X of the Public Works and Economic Development Act of 1965, as amended.

** - The methodology used in meeting these objectives is described in Appendix A to this report.

This evaluation does not address questions relating to the impacts of Title X projects, nor the impact of program administration on the selection of effective projects. These issues, as well as findings regarding the overall effectiveness of different types of projects and administering agencies, will be presented in the evaluation of Title X's direct impacts.

As background for the evaluation presented here, this Executive Summary: (1) traces the legislative history and key features of the Title X Program; (2) briefly recounts key events in the administration of the program; and (3) summarizes the principal findings and recommendations resulting from this evaluation.

LEGISLATIVE HISTORY

Work toward the creation of the Title X Program was begun in October 1974, at a time when national unemployment stood at 6.5 percent and gave every indication of going higher. Between October and December 1974, three bills aimed at creating employment were introduced. Two of these bills were focused on the creation of public service jobs projects,* which were the types of projects favored by the Administration; the third was focused on the creation of public works projects.**

* -- Public service jobs projects create employment through the temporary hiring of workers by public or quasi-public agencies. Proponents of this approach to job-creating programs note that they are generally highly labor intensive (a large proportion of the project cost is represented by wages) and can be implemented rapidly. Such projects, however, generally do not result in substantial tangible long-term benefits, such as the provision of public infrastructure.

** -- Public works projects create employment through the construction, repair, or renovation of public facilities. These types of projects are usually less labor intensive than public service jobs projects but result in an addition to public infrastructure and thereby generate tangible long-term benefits.

It was only in mid-December that an acceptable job-creating bill was prepared. This bill, the Emergency Jobs and Unemployment Assistance Act of 1974, although authorizing the Title X Program through an amendment to the Public Works and Economic Development Act, was part of legislation amending the Department of Labor's Comprehensive Employment and Training Act (CETA) program. In spite of these circumstances, and in spite of the fact that both the Title X and CETA programs were aimed at creating jobs, the legislative history and enactment of Title X as a separate title of the Emergency Jobs and Unemployment Assistance Act clearly indicate that these programs were intended to be kept separate and distinct.

The Title X legislation, as originally structured, was designed in large measure to correct deficiencies uncovered in EDA's earlier Public Works Impact Program (PWIP), particularly PWIP's failure to satisfy that program's major goals of providing jobs for the unemployed and having employment initiated at a time when unemployment was at a significantly high level.* Thus, the authors of Title X incorporated several features in this program to distinguish it from PWIP; namely:

- As the basis for funds allocation, all Federal departments, agencies, and regional commissions were to survey and identify planned or ongoing programs and projects capable of quickly generating employment opportunities.
- The program was to be flexible, incorporating a variety of project types. That is, although the authors of Title X envisioned that the program would have a strong orientation toward public works projects, this was not to be the sole area of concentration for the program.
- It was to be required that the skills needed for project implementation be found within the areas where the projects were undertaken.

* - These deficiencies were noted in an evaluation of PWIP carried out by the U.S. Department of Commerce, Economic Development Administration, and reported in An Evaluation of the Public Works Impact Program (PWIP), Final Report, January 1975, issued in April 1975.

- Specific deadlines were levied on program implementation; the survey by Federal departments, agencies, and regional commissions was to be completed within 45 days of Title X's being enacted, funds allocation was to take place 30 days thereafter, and all funds were to be obligated by December 31, 1975.

However, Title X's authorizing legislation was passed only after modification by a conference committee composed almost exclusively of members of the Committee on Labor and Public Welfare and the Committee on Education and Labor. As a result of these modifications, significant changes were made in the program; namely:

- The Secretary of Labor was introduced into the implementation process, whereas, in the original legislation, the Secretary of Commerce had sole responsibility for the program. Thus, the program was changed from being a strictly Commerce (and specifically, EDA) program, to one that was to be jointly administered by these two departments.
- Language was added requiring that first funding priority be given to those projects that were most labor intensive, and that at least half of the funds appropriated be spent on projects that were at least 75 percent labor intensive. (However, no such restriction was placed on use of the remaining 50 percent of the program's funds.)

Both modifications tended to favor public service projects over public works projects and, as such, were contrary to the intent of the authors of Title X. Nevertheless, explicit language indicating that Title X was not to be focused on public service projects was not included in the Title X bill as passed. This proved to be a constant source of difficulty in the administration of the program.

PROGRAM SUMMARY

Although Title X's authorization was \$500 million, initially only \$125 million was appropriated for the program

-- this in January 1975. The remaining \$375 million was not appropriated until June 1975. Thus, Title X was actually administered in two phases, corresponding to the appropriation dates. Notably, these two phases differed not only in the amount of funds available, but in their administrative aspects as well. Each phase is discussed in turn in the subsections below. Exhibit 1 provides an overview of key events in the administration of Title X as a whole, in terms of unemployment during the period in which the program was being formulated and implemented. A chronological listing of key events and decisions in the administration of the Title X Program is provided in Appendix B to this report.

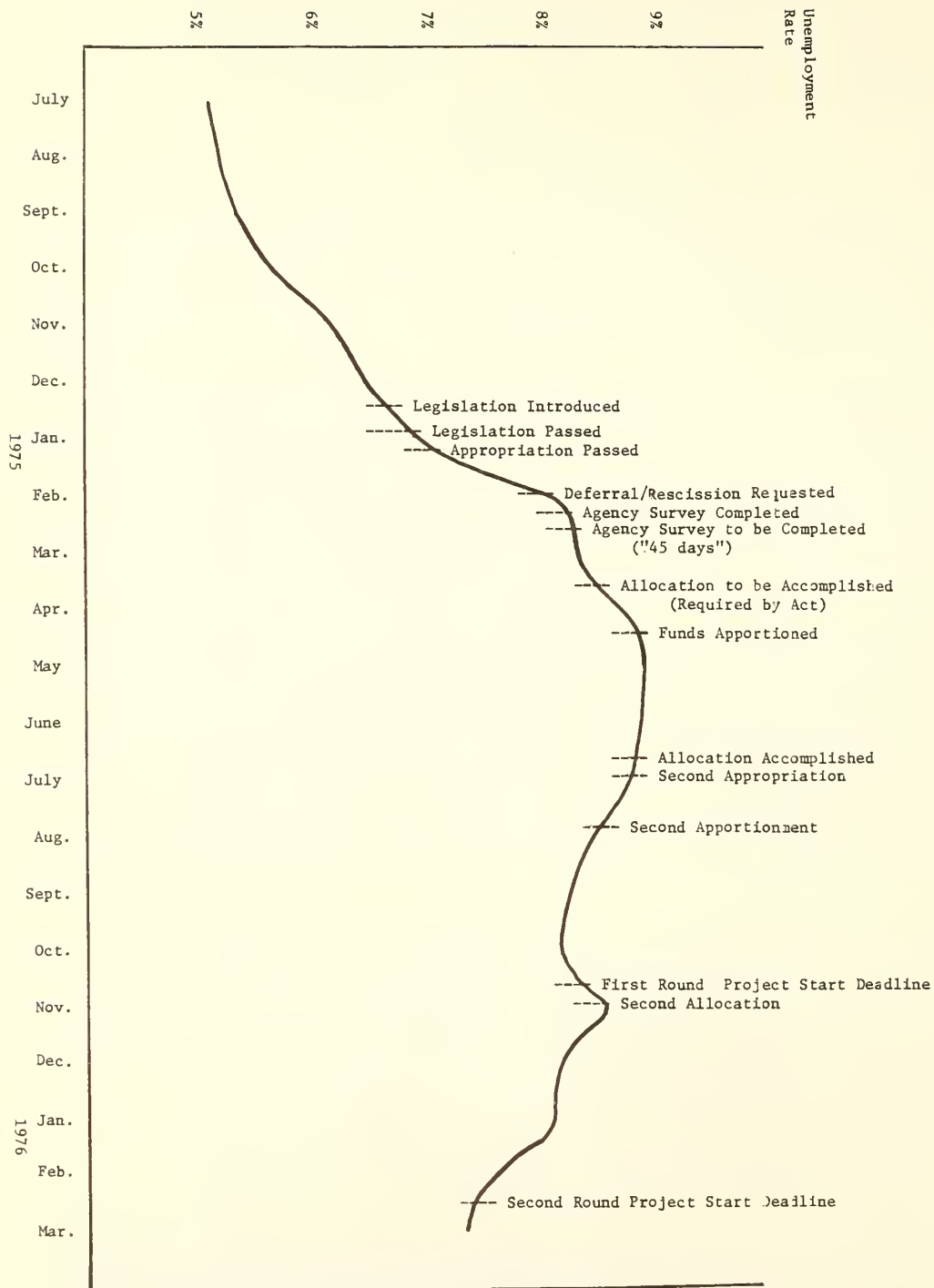
First Appropriation Period

The period following the first appropriation can be characterized as one of delay and conflict among the principals involved in the program. As early as the date of the program's authorization (December 31, 1974), the Administration and the Office of Management and Budget (OMB) began indicating their opposition to Title X, which they viewed as overly oriented toward public works projects -- as opposed to the public service projects they favored and that formed the basis for the Department of Labor's CETA program. At the end of that month, the Administration requested that apportionment of Title X funds be deferred until restored to the Department of Labor for use in its CETA program. This deferral request -- later reclassified as a rescission request by the Comptroller General -- served to delay apportionment of the funds to EDA until April 1975, thus precluding EDA from meeting the legislatively imposed deadline for funds allocation.

Further indication of OMB's desire to change the administration of Title X is evidenced by the fact that this organization requested that program authority not be delegated to EDA, as would normally be the case for an EDA program. Rather, OMB wished to see this authority retained in the Office of the Secretary of Commerce, where OMB apparently felt it could better influence the orientation of the program and thus insure funding of the public service projects it supported.

In spite of the delay caused by the Administration's deferral/rescission request, the period between enactment of Title X and apportionment was not without activity. For one, the required survey by Federal departments, agencies, and regional commissions was completed in February 1975, satisfying the legislative deadline for this activity.

EXHIBIT 1



Further, EDA proposed a mechanism for allocating funds to those agencies proposing worthwhile projects. (This mechanism was based on providing "block grants" to agencies, based on the volume of their survey responses and in line with rough planning ranges, and allowing the agencies to select specific projects for funding according to criteria jointly determined by the Secretaries of Commerce and Labor.)

The Department of Labor opposed this mechanism, and instead proposed not a modification, but a totally different mechanism -- one focused exclusively on the CETA program and, as a result, on the creation of public service projects. The proposed Labor allocation mechanism would have ignored the results of the legislatively required survey by Federal departments, agencies, and regional commissions, instead making CETA prime sponsors (local elected officials) totally responsible for project selection. In addition, the Title X funds would have been spent for CETA public service projects, rather than for public works projects. As such, this mechanism was regarded as being incompatible with the basic intent of Title X. In spite of this, Labor formally proposed this mechanism four times between the first appropriation and its allocation.

Labor and Commerce did not reach agreement regarding the allocation mechanism, and it was only after OMB proposed modifications to the EDA-developed scheme that a mechanism was finalized for the first appropriation period. The OMB mechanism was focused on individual project selection by the Secretaries of Commerce and Labor on the basis of a second, more detailed agency survey.* OMB's proposal resulted in some delay in program implementation owing to the time required to resurvey the agencies and to refine the allocation procedure. Nevertheless, the resurvey of the agencies was completed within 45 days of funds apportionment, and the funds were allocated within 30 days thereafter.

* - The individual who served as the Title X Coordinator for EDA believes that, in retrospect, the OMB mechanism represented an improvement over that originally proposed by EDA and resulted in a more efficient allocation of funds than would have been possible had EDA's block allocation scheme been used.

Further hindrances to smooth program implementation came at the time of funds apportionment (April 11), when OMB attached six conditions to the apportionment with which Commerce was expected to comply. Commerce viewed these conditions as an attempt by OMB to infringe on Commerce's implementation of the program, and successfully challenged and had the conditions removed. Additionally:

- OMB wished to see changes made in the criteria selected by EDA for ranking proposals. (EDA had selected three legislative and two discretionary criteria for this purpose.) OMB introduced the concept that overriding consideration be given to the Title X cost of creating a man-year of employment for a previously unemployed area resident (termed "cost-effectiveness"). Use of this criterion in the degree desired by OMB would have introduced a decided bias toward public service projects. Although EDA differed with OMB regarding the weight to be given to this criterion, the Agency did agree to adding cost-effectiveness as a third discretionary criterion.
- The Department of Labor -- which legislatively was required to furnish Commerce with unemployment data to determine an area's eligibility for Title X funds -- was unable to provide the data in the format requested, creating another delay while EDA personnel attempted to secure usable data.
- Labor chose not to become directly involved in project selection, as called for in the legislation, leaving the burden of processing project proposals to EDA personnel.

In spite of these problems, allocation of funds was eventually made on June 18, 1975, five and one-half months after the first appropriation was approved.

Second Appropriation Period

The second appropriation period, like the first, was characterized by delay and conflict, although not to the same degree as the first. The second appropriation was made on June 27, 1975, although OMB did not apportion the funds until July 25, almost at the end of the 30-day period allowed for apportionment.

Further, at the time of apportionment, OMB initiated discussions with Commerce regarding changes it wished to see made in selecting projects for Title X funding.* Specifically, OMB again wished to have a single criterion for project selection -- the Title X cost of creating a man-year of employment for a previously unemployed area resident -- constitute 75 percent of the ranking score assigned to each project in the selection process. This change obviously would have created a bias toward public service jobs creation.

In the interest of getting the program under way, Commerce effected a compromise in which the weight given to the Title X cost per man-year criterion (cost-effectiveness) was increased from 5 percent to 15 percent of a project's score. The weights given to two discretionary criteria to which OMB objected (long-term impacts and leverage) were correspondingly reduced. Although OMB was not successful in making cost per man-year/labor intensity the predominant criteria, the resulting compromise further biased the program toward highly labor-intensive public service type projects, away from the public works related projects envisioned by the authors of Title X.

Additionally, OMB wished to have only projects that were already planned or ongoing -- termed "accelerated" projects -- funded. OMB's rationale for this was that these projects could be implemented rapidly, and FY 1977 agency budgets could be reduced by amounts equal to Title X funding for such projects. Again, a compromise was effected. Although Commerce agreed to add acceleration as a criterion to be used in project selection, it did not

* - It should be pointed out that OMB claims that it had made Commerce aware of its desire for change prior to the time of apportionment; EDA personnel and persons in the Office of the Secretary of Commerce maintain that this was not the case, that contact with OMB during the June 27 to July 25 period was virtually nonexistent, and that Commerce was not even aware if the apportionment was going to be made. This is only one example of the problems experienced between Commerce and OMB that characterized the administration of the Title X Program.

agree to fund only such projects. Further, EDA did not support OMB's proposal to reduce agencies' FY 1977 budgets. It was therefore agreed that OMB was to assume responsibility for informing submitting agencies regarding the interpretation of the acceleration criterion and for assisting the agencies in the identification of projects meeting this criterion. This, however, was not done by OMB; as a result, the use of this criterion created problems in proposal processing that could not be resolved prior to funds allocation.

Finally, OMB opposed the use of planning ranges (implied upper limits on an agency's allocation), as EDA had imposed for the first allocation. The effect of eliminating these ranges -- which the Office of the Secretary of Commerce agreed to do -- was the receipt of more than double the number of proposals anticipated, with proposal processing problems being created by sheer volume alone.

In addition to these problems, EDA also encountered difficulties in processing the proposals resulting from its not supplying submitting agencies with complete instructions on the survey form. This too created some delay in the program, since almost all proposals had to be returned to the submitting agencies for correction. And as was the case for the first appropriation, Labor was not able to provide unemployment data in the format requested. Again, however, all problems were resolved insofar as possible, and the second allocation was made on October 28, 1975.

Supplementary Allocations

The allocation made on October 28, coupled with that made on June 18, accounted for \$490 million of the \$500 million available under Title X, leaving some \$10 million still available for allocation. Further, because some projects were withdrawn by their sponsors and some administrative funds were not expended, EDA had, in total, \$18.7 million available for supplementary allocations. Overall, five such allocations were made for the two appropriation periods.

It is notable that, in making the second supplementary allocations, EDA tended to favor its own projects. This was done because the Agency believed that the processing required to obligate funds for these projects could be completed by the December 31 deadline. Even with this consideration, 53 of the 77 supplementary projects were selected within the last two days of the program; this created a situation of haste and pressure for obligation of funds that must be viewed as undesirable, particularly considering the magnitude of the funds available and the importance of the program.

SUMMARY OF FINDINGS AND CONCLUSIONS

On the basis of this evaluation, the following conclusions have been reached regarding each of the key players involved in the administration of Title X.

Economic Development Administration

EDA, as the principal operative on behalf of the Department of Commerce, generally performed satisfactorily in allocating the first appropriation. As evidence of this, EDA initiated required activities in line with the legislatively imposed milestones and, in spite of delays impacting program implementation, continued to function in line with the intent of the legislation throughout the first appropriation period.

However, EDA's performance was deficient insofar as the Agency did not attempt, on its own, to correct the allocation procedure during the time made available by the rescission request, even though it was aware of deficiencies in the procedure resulting from the haste with which it initially was prepared. Further, the agency survey form prepared by EDA contained instructions that were not sufficiently targetted and complete as to elicit satisfactory responses and enable the Agency to have a complete understanding of the projects being proposed. Both deficiencies can, in part, be attributed to the fact that EDA top management (and the Office of the Secretary of Commerce, which had oversight responsibility for Title X) did not assign sufficiently high priority to the new program. During the initial appropriation period, a single individual served as coordinator for both Title X and a second new EDA program (Title IX), without the benefit of

sufficient second-level staff. Under these circumstances, the Title X Coordinator was able to accomplish only the minimum necessary to get the Title X Program under way.

During the second appropriation period, EDA's performance must again be considered as generally satisfactory. EDA again attempted to comply with the intent of the legislatively imposed time deadlines for the agency survey and funds allocation. However, EDA again failed to supply sufficient instructions to the submitting agencies with the survey forms. Further, because EDA had anticipated that the elimination of agency planning ranges -- an action to which it was opposed -- would result in an unusually large volume of submissions, it should have been prepared to process whatever volume it received in a timely fashion. In fact, however, EDA had to add two weeks to the time set aside for proposal processing, thus causing some delay in making the second allocation.

With regard to the supplementary allocations, the fact that 53 of the 77 supplementary projects did not have their funds obligated until the last two days of the program indicates that the normal obligation process may have been circumvented. Also, as discussed in Chapter 4, the EDA data file on supplementary projects indicates that satisfactory records were not kept on this final phase of the program. Overall, it is possible that, in attempting to expedite the supplementary allocation process, the selection and funding of unsatisfactory projects may have been fostered, although such a determination can be made only after the study of the direct impacts of Title X is completed.

Department of Labor

The early efforts of the Department of Labor to assist the Secretary of Commerce in implementing Title X were largely unproductive and bore little relation to the requirements of the program. Labor, instead of working with Commerce to develop program guidelines and an allocation process in consonance with the intent of the legislation, proposed a totally different and inappropriate allocation

mechanism.* Its presentation of this mechanism -- made on three occasions between late January and mid-March 1975 -- took away from the time that Labor might have spent in working with Commerce, and resulted in Labor's becoming involved in discussions regarding the joint Commerce/Labor activities only after most of the decision making had been completed.

With regard to Labor's obligation to supply unemployment data, Labor was not able to supply the county-based data EDA had requested, and provided what information it could too late to be used in making the allocation. This proved to be a problem during both appropriation periods, and one that required extra time and effort on the part of EDA personnel to correct.

Such problems call into question the advisability of having two departments -- even though they might share the common goal of job creation -- attempt to jointly administer a single program when the projects they support in working toward this goal are different and distinct.

Office of the Secretary of Commerce

During the first appropriation period, the performance of the Office of the Secretary of Commerce was deficient in several respects. First, this office agreed, at the request of OMB, to retain program authority, rather than delegating this to EDA. Thus, this office must share any criticism made of EDA's performance during the first appropriation period. Second, because it did have program authority, the Office of the Secretary, acting with EDA, should have taken the initiative to review and suggest improvements to the allocation procedure during the time made available by the rescission request. Third, as discussed earlier, the Office of the Secretary (and EDA top management) did not give the Title X Program sufficiently high priority in terms of staff assigned to permit its expeditious implementation.

* - As noted earlier, Labor's approach would have completely circumvented the agency survey required in the legislation and would have effectively diverted Title X funds to Labor's CETA program, an action implicitly rejected by Congress when it failed to act on the Administration's rescission request.

For the second appropriation period, the Office of the Secretary did delegate program authority to EDA. However, because this was not done until the appropriation period was well under way and most key decisions regarding the allocation had been made, this office can be criticized for not taking a stronger stand against the OMB-introduced changes in the administration of Title X -- changes that later resulted in the Title X Program having a strong bias toward public service jobs projects, contrary to the intent of the authors of the Title X legislation.

Office of Management and Budget

During the first appropriation period, OMB, on behalf of the Administration and through the Office of the Secretary of Commerce, consistently intervened in and attempted to manipulate implementation of the Title X Program for the purpose of denying EDA the role of principal program administrator. The major effects of OMB's efforts were to delay the first allocation of Title X funds by three months and to secure a slightly increased advantage for public service projects than otherwise would have existed.

As indications of its attempts to influence the program, OMB: (1) removed EDA as Title X administrator, by having program authority centered in the Office of the Secretary of Commerce; (2) issued a deferral request that Title X funds be returned to the CETA public service jobs program; and (3) succeeded in having an additional project criterion that favored public service jobs projects added to the project selection criteria. Additionally, by attaching six conditions to the first apportionment, OMB attempted to retain final project selection authority for itself. And although OMB's revision of the allocation process is believed to have had, as one of its effects, a reduction in the time required for obligation of funds for the first appropriation period, OMB's principal reason for requesting the changes was to reduce the number of public works types of projects funded.

For the second appropriation period, the actions of OMB again served to delay allocation and to alter the orientation of the Title X Program in favor of public service projects. This was done by OMB's not initiating discussions regarding changes in the allocation procedure until the time of apportionment. Had OMB been concerned that Title X be expeditiously implemented, these discussions

could have been well under way, if not completed, by the time of apportionment. Second, had OMB not been so insistent on altering the orientation of the program, discussions could have been completed much more quickly and program implementation begun at an earlier date. As a result of these delays and changes, the following occurred during the second appropriation period:

- The initiation of the agency survey was delayed during the three weeks that discussions on allocation were taking place, resulting in a reduced amount of time eventually being allowed for the agencies to prepare their responses. The large number of errors identified by EDA in the agency submissions can be attributed, in part, to the reduced proposal preparation time.
- As a result of eliminating agency planning ranges, the number of proposals received far exceeded that anticipated, which resulted in an increased amount of time being required for proposal processing.
- The increased weight given to the Title X cost per man-year criterion resulted in a large number of public service jobs projects being funded.
- OMB was unable to manage the task of assisting agencies to identify accelerated projects, and it was not possible, given the time constraints of the program, to verify claims made on the project submissions regarding acceleration. (OMB also expressed the intent to reduce FY 1977 budgets by amounts equal to Title X funding received for accelerated projects; this was not done.)

Overall, OMB's actions must be considered as attempts to alter the intent of the Title X Program, which was to provide a net increase in Federal expenditures for an emergency job-creating program focused on public works rather than public service jobs projects.

RECOMMENDATIONS

On the basis of this evaluation, the following is recommended:

- To avoid the delays and pitfalls associated with creating and implementing a new countercyclical employment program, it is recommended that legislation be approved -- during a non-crisis period-- that establishes Federal policy and creates the program(s) necessary to combat the problem. Appropriation for such a program should also be made during a non-crisis period, and should be established so as to remain available until the anticipated emergency arises. To further insure that delays are bypassed, it is also recommended that implementation of such a program be automatic, occurring at a pre-determined level during an upswing in the national unemployment cycle. This would make it possible to expand employment when unemployment is increasing and to decrease employment when unemployment starts declining -- without the delays associated with formulating, introducing, and authorizing a new program. It should be noted that, although the Title X Program as revised in October 1976 contains a provision similar to this recommendation, Congress must still take separate action to appropriate program funds. Thus, the potential for delays similar to those experienced with the original legislation remain.
- Plans for implementing future countercyclical employment programs on an ongoing basis should be formulated. Through such action, it would be possible to insure that area unemployment would be monitored on an ongoing basis, that an inventory file of activities appropriate for such programs would be available when needed, and that the guidelines for implementing and monitoring the programs would be prepared in advance, thus avoiding delays in program implementation.

Should it prove to be infeasible to implement these recommendations before the need for a countercyclical employment program again arises, it is recommended that the following govern the administration of such a program:

- Substantial emphasis should be placed on insuring that whatever survey instrument is used for the program is as comprehensive and understandable as possible.
- For a program involving joint departmental/agency administration, the roles of the key players should be clearly spelled out.
- Steps should be taken to insure that accurate and timely unemployment data are available for such a program.

ORGANIZATION OF REPORT

The program summary and findings presented briefly in the paragraphs above are detailed in the five chapters of this report as follows:

- Chapter 1 - Legislative History - discusses the actions leading up to the passage of the Title X Act, as well as the provisions of the Act.
- Chapter 2 - First Appropriation Period -- Pre-Appportionment Activities - discusses the Administration's deferral/rescission request, the activities carried out by EDA prior to funds apportionment, the allocation mechanism proposed by the Department of Labor, the allocation mechanism proposed by OMB, and the steps taken in revising the allocation mechanism.
- Chapter 3 - First Appropriation Period -- Post-Appportionment Activities - discusses OMB's conditions on the apportionment and the conflict surrounding these, further changes instituted in the administration of the program and in the allocation of funds, and problems in processing the proposals received.
- Chapter 4 - Second Appropriation Period - details the steps involved in moving toward the appropriation, changes made in the administration of the program for this appropriation, and the allocation of supplementary funds.

- Chapter 5 - Program Summary, Conclusions, and Recommendations - presents a more detailed summary of the program and the principal findings of this evaluation than given in this section, and provides recommendations regarding similar job-creating programs.

1 - LEGISLATIVE HISTORY AND BACKGROUND

On December 31, 1974, the Emergency Jobs and Unemployment Assistance Act of 1974 was signed into law; as part of this act, the Job Opportunities Program -- Title X of the Public Works and Economic Development Act (PWEDA)-- was created. Title X authorized \$500 million to the Economic Development Administration "to provide emergency financial assistance to stimulate, maintain or expand job creating activities in areas, both urban and rural, which are suffering from unusually high levels of unemployment."*

Title X had its beginnings some three months earlier, at a time when the national unemployment rate stood at 6.5 percent and gave strong indications of going higher. On October 2, 1974, in response to growing public pressure for Federal action to counter rising unemployment, an amendment to the Department of Labor's Comprehensive Employment and Training Act (CETA) of 1973 was introduced in the Senate (S.4079)** to provide additional public service jobs for unemployed persons during periods of high unemployment. Approval of this bill was considered almost certain, principally because it was the only job-creating measure under consideration at the time. Nevertheless, the bill was referred to the Committee on Labor and Public Welfare for refinement, and passage was not immediate.

Within only a matter of days, on October 10, 1974, a second bill -- the Emergency Public Works Employment Bill (S.4115) -- was introduced. The purpose of this bill was to create jobs by adding \$500 million to the Public Works and Economic Development Act -- \$250 million to EDA's Title I Public Works Impact Program (PWIP) and \$250 million to the Agency's Title IX Special Economic Development and Adjustment Assistance Program. This bill was referred to the Senate Committee on Public Works.

* - Public Works and Economic Development Act of 1965, as amended, (P.L.89-136); 42 U.S.C.3121 et seq.)

** - The House of Representatives' version of this bill is referenced as H.R.16596.

S.4115 began experiencing difficulty on November 20, 1974, when the Subcommittee on Economic Development held hearings with EDA to discuss the past performance of the PWIP program. A then-recent evaluation of PWIP indicated that projects funded under the program had, for the most part, failed to satisfy one of the program's major goals -- providing employment opportunities for previously unemployed persons.* Further, it was found that PWIP projects generally required a significant amount of time to be initiated and to generate jobs, thus adversely affecting the program's intended countercyclical impact.

In spite of the criticisms of PWIP, the sponsors of S.4115 continued to work for an acceptable version of the bill. According to a committee staff member, such provisions as permitting the support of CETA activities, requiring that projects be at least 65 percent labor intensive, and allowing the transfer of program funds to other Federal agencies -- all of which were later incorporated into the Job Opportunities Program -- were proposed as modifications to S.4115. By the end of November, however, the bill was stalled in committee.

While work was continuing on S.4115 and S.4079, a third bill, also intended to address the problem of high unemployment, was introduced on November 26, 1974. This Administration-sponsored bill, the National Employment Assistance Act, contained two principal provisions:

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- * - The majority of the projects funded under PWIP were sophisticated new construction projects that required a greater number of skilled workers (journeymen, carpenters, masons, electricians, and the like) than unskilled workers. Consequently, although unskilled persons comprised the bulk of unemployed construction workers (because there is a shorter supply of skilled workers and they are able to find work more readily), PWIP had little impact on previously unemployed persons. Additionally, because there were relatively few job opportunities for unskilled workers, unemployed persons in other occupational categories were precluded from finding employment as unskilled workers under PWIP.

(1) extension of unemployment compensation benefits and provision of benefits to categories of workers not ordinarily eligible for such compensation; and (2) authorization for a national community improvement program to perform needed cleanup and minor repair services in urban areas throughout the nation. However, opponents of this proposal maintained that the community improvement program favored cities to the exclusion of rural areas and that it constituted little more than a make-work program. Consequently, the proposal received little attention.

DEVELOPMENT OF THE JOB OPPORTUNITIES PROGRAM

On December 1, 1974, the Republican Economic Task Force was formed to address, among other issues, the nation's rising unemployment rate and to determine how the Federal Government might help to create jobs. Shortly after its formation, several Task Force members, who were also working on the revision of S.4115, formulated the Job Opportunities Program as an amendment (Title III) to S.4079/H.R.16596, proposing that \$1 billion be authorized for this program to be enacted as Title X of the Public Works and Economic Development Act. The Job Opportunities Program differed from PWIP, which was intended to sponsor primarily new construction projects, in that it was to be extremely flexible, allowing for a variety of uses. To illustrate:

- The Job Opportunities Program called for the expansion or acceleration of planned and on-going employment-generating programs at the Federal, state, and local levels.
- The Secretary of Commerce was authorized to initiate new programs in eligible areas, including areas designated under either CETA or PWEDA, or in areas having an unemployment rate in excess of 6.5 percent for three consecutive months.
- Heads of Federal departments, agencies, and other instrumentalities were authorized to waive the otherwise required restrictions on allocations among the states, grant rates, and grant amounts for any period.

Further, the Job Opportunities Program was intended to remedy deficiencies in PWIP that had been revealed in the previously mentioned evaluation of that program.

The sponsors of the Job Opportunities Program favored its introduction as an amendment to the earlier measure, even though it was focused on a Department of Labor act, for two reasons:

- Like S.4079/H.R.16596, the Job Opportunities Program would lead to the creation of jobs for the unemployed.
- As mentioned previously, S.4079/H.R.16596 was virtually assured of congressional approval.

Thus they reasoned that, if support of the primary bill's sponsors could be obtained, the amendment would probably meet with little opposition, in spite of the fact that it was intended to create public works type jobs through the Department of Commerce.* This proved to be true. The House approved H.R.16596 on December 12, 1974, the same day it came out of committee. Later that day, when the approved measure went to the Senate, Title III (Job Opportunities) of the bill was added as a floor amendment, and the entire package was passed by that body.

MODIFICATIONS TO THE PROGRAM

Because the House and Senate had passed two versions of the CETA bill (the House version did not include the Job Opportunities amendment), a joint House/Senate conference committee was appointed to draft a compromise

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- * - According to committee staff members, the only opposition to the bill came from the construction-related unions, which reportedly favored an amendment to PWEDA that would create large public works projects capable of employing substantial numbers of their members. Although the Job Opportunities Program did not have such an orientation and was not the amendment preferred by the unions, they offered no strong opposition to it.

measure. However, because the bill was originally and principally a modification to a Department of Labor statute, all of the conferees were members of the Labor and Public Welfare Committee; no representatives of the Public Works Committee were named to the conference committee.

As a result of the committee's work, a number of significant changes were made in the Job Opportunities Program.

- The Secretary of Labor was introduced into the implementation process, whereas formerly the Secretary of Commerce had sole responsibility for the program.
- Language was added requiring that first funding priority be given to those projects that were most labor intensive (there had previously been no "first" priority) and that at least half the funds appropriated be spent on projects that were at least 75 percent labor intensive (there had previously been no cost restrictions).
- The authorization for the program was reduced from the \$1 billion proposed in the Senate amendment to \$500 million.*

Although the effects of the modifications increasing labor intensity were not realized until several months after the bill was passed, a limited explanation of the significance of these changes should be made at this point. Because the authors of the Job Opportunities Program were members of the Senate Committee on Public Works, and

* - In discussing the conference report on the floor of the Senate, one of the authors of the bill, Senator James McClure, stated that this reduction was appropriate because the conferees had also reduced the CETA public service jobs program authorization from \$4 billion to \$2.5 billion. It is also possible that members of the committee were seeking to minimize Administration opposition to the program, which, according to a statement made later by Senator Joseph Montoya, had already been made known.

because the bill proposed an amendment to the Public Works and Economic Development Act, it is seemingly indisputable that the program was intended to create "public works type" projects, albeit, not large new construction projects. This is indicated in statements made by the sponsors and supporters of the amendment. For example, in statements made in the Senate at the time the Job Opportunities amendment was being introduced, Senator Jennings Randolph (a cosponsor of the amendment) declared that:

I think we should have in the Record the fact that in the Committee on Public Works, we think of jobs that are job-producing jobs. I am not against public service employment. It can perform a necessary part of the employment picture. But we need jobs that produce other jobs, and those jobs produce other jobs, and the growth of employment goes forward.

Public works construction has long been utilized to stimulate economic activity in times of hardship. This activity provides needed public facilities and the impact of their construction is widespread, multiplying the investment many times.

All these needs [of the unemployed] must be met. They can best be met through what I believe to be productive work, with no disparagement of the pending bill [to amend the CETA legislation], but now stressing the trust of the pending amendment [which amended the PWEDA legislation]. I believe that the community improvements it will provide all over America will pay a dividend in the years that are to be, for communities and the people who are in them.*

Also, in a statement made in the House of Representatives just prior to approval of the conference committee's report, Representative John A. Blatnik, a supporter of the Job Opportunities amendment, stated that:

* - Congressional Record, December 12, 1974
pp. 21246-7.

Through public works jobs, needed public facilities are provided and the impact of their construction is great and widespread. This legislation will assuredly have a vastly significant impact on the creation of jobs in this country, particularly in the smaller cities and rural areas where the pressures of unemployment are most bearing.*

Moreover, when the Job Opportunities amendment was presented to the Senate, it was presented as an alternative approach for creating jobs for the unemployed, its sponsors contrasting it to the CETA "public service type" job provisions contained in the primary bill. The distinction between the two types of projects should be made clear.

- Public works projects generally require a significant amount of materials, equipment, and skilled labor, as well as semiskilled and unskilled labor, since by definition these projects involve some form of construction activity. Public service projects require comparatively little materials, equipment, and skilled labor; instead, these projects typically involve semiskilled and unskilled labor, and they are frequently of an "area beautification" or "leaf raking" nature, although they may also include paying salaries to professional or paraprofessional public employees.
- Public service projects are effective in making funds available for wages rather than for building and construction supplies and equipment, and they are highly labor intensive; however, they also typically leave little lasting benefit after completion. Public works projects, on the other hand, are geared toward producing lasting improvements for the community; however, because

* - Congressional Record, December 18, 1974, p. 12233.

they require building materials, equipment, and skilled labor, they are not especially labor intensive,* particularly in comparison to public service projects.

By adding labor intensity as a priority consideration for Title X projects, the joint committee effected a bias in the Job Opportunities Program that later worked against the intent of the program's authors and initial supporters. That is, the requirement that the Secretary of Commerce select the most efficient job-creating projects served to improve the program's effectiveness only so long as project proposals were consistent with the program's goals. However, a large number of public service jobs proposals were received as part of the Title X Program. And because the legislation did not enunciate the types of projects sought, the more labor-intensive public service projects readily became a large portion of the projects selected for funding, contrary to the intentions of the authors.

PROVISIONS OF THE TITLE X ACT

The conference committee's compromise proposal was issued on December 17, 1974, and S.4079 was passed on the following day with both the Senate and House adoption of this proposal.. The Title X Act, as passed by Congress and later signed into law on December 31, 1974, briefly is as follows:**

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- * - The evaluation of the PWIP program had established the average labor intensity of PWIP projects at 21 percent; that is, only 21 percent of all project funds were spent on wages, with the remainder going for materials, equipment, overhead, and the like.
 - ** - On October 12, 1976, P.L. 94-487, amending PWEDA and extending it for three years, was passed. As part of this act, Title X was modified and also extended for three years. A section-by-section explanation of the changes made in the act and their potential impact on a new administration of Title X is provided in Appendix C to this report.

- Section 1001, Statement of Purpose, stated that the purpose of the Act was to stimulate job-creating activities in areas suffering from unusually high levels of unemployment.
- Section 1002, Definitions, defined an eligible area as any area designated by the Secretary of Labor as having an unemployment rate in excess of 6.5 percent for three consecutive months, any area of substantial unemployment designated under CETA, and any area designated by the Secretary of Commerce under PWEDA.
- Section 1003, Program Authorization, authorized the Secretary of Commerce to provide financial assistance to programs and projects -- identified through a review process -- designed to create jobs in areas of high unemployment. These programs and projects were to be administered according to existing laws except for provisions relating to the allocation of funds, limitations on the amount of a grant, and Federal, state and local contribution requirements. In allocating funds, priority consideration was to be given to programs and projects that:
 1. Would reduce unemployment in eligible areas;
 2. Could be started promptly;
 3. Could be substantially completed within 12 months;
 4. Were consistent with development plans of an area;
 5. Were labor intensive.
- Section 1004, Program Review, required that, within 45 days of enactment of the Act, each Federal department, agency, and regional commission review and submit to the Secretaries of Labor and Commerce projects and programs that they considered to have the greatest potential for creating jobs for the unemployed in eligible areas. Within 30 days following, the Secretary of Commerce was to have made an allocation of funds for programs and projects having greatest priority.

- Section 1005, Limitations on Use of Funds, specified that one-half of the funds appropriated be for programs and projects for which not more than 25 percent of the funds would be used for non-labor costs.
- Section 1006, Rules and Regulations, stated that the Secretary of Commerce was to prescribe rules and regulations that would insure that funds were equitably distributed between urban and rural applicants.
- Section 1007, Authorization of Appropriations, authorized an appropriation of \$500 million for fiscal year 1975, but stated that no obligation of funds could be made if it was determined that the national average unemployment rate had dropped below 6.5 percent for three consecutive calendar months.
- Section 1008, Termination Date, stated that no obligation of funds could be made after December 31, 1975.

The Job Opportunities Program (hereafter referred to as Title X) incorporated several features designed to remedy some of the deficiencies found in its predecessor program, PWIP. Among these was a requirement that projects selected for funding be appropriate to both the skills available and the size of the unemployed labor force in the project area.* In the same vein, it was required that the program focus on areas of highest unemployment to insure that an adequate unemployed labor force was available, as well as to assist areas having the greatest need.

Also new in this program was the notion of expanding or accelerating governmental programs that would otherwise have been undertaken at a later date. Presumably,

* - The evaluation of PWIP had found that the unemployed labor force was often too small to provide the number of workers a project required and that necessary skills often were not available from among the unemployed.

preliminary planning had already been accomplished for these projects, and they could therefore be implemented more rapidly than totally new projects.

Finally, the authors of Title X attempted to incorporate the concept of leveraging other funds (both public and private) with Title X funds. Although this intention was not specifically stated in the statute itself, it is inherent in the authorization for expanding or accelerating ongoing projects as identified in the review by Federal departments and agencies (Section 1004 of the Act). Senator McClure stated this aspect on December 12, 1974, when the amendment was introduced:

"...Money (Title X) could be used to supplement state, local, and Federal funds in the way which is necessary to be most efficient in creating jobs. It may be that a little additional money with a current grant program would create more jobs than an equal number of dollars put into a brand new program. That is the purpose of the legislation."

This aspect of the statute received a lesser priority, however, after the conference committee added the language requiring that first priority be given to the most labor-intensive projects. Additional aspects of the program were that expenditure of its appropriation be limited to one calendar year and that allocation of all funds take place within 75 days of enactment.

The Emergency Jobs and Unemployment Assistance Act of 1974, and as part of it, the Job Opportunities Program, was signed into law on December 31, 1974. As of that date, the Secretary of Commerce had until March 16, 1975, (75 days) in which to allocate whatever funds Congress appropriated -- 45 days for the required departmental and agency review of projects, and an additional 30 days for Secretarial review of the submissions and final allocation.

2 - FIRST APPROPRIATION PERIOD

PRE-APPORTIONMENT ACTIVITIES

In a statement accompanying his signing of the Emergency Jobs and Unemployment Assistance Act on December 31, 1974, President Ford noted that the Title X provision "would create an unnecessarily complex and unwieldy administrative mechanism..." and that, for this reason, he intended to request that Congress transfer the Title X appropriation from Title III of the act to Title I (i.e., Title VI of CETA.) This action would make funds available to the Secretary of Labor for use in the CETA public service jobs program, rather than to the Secretary of Commerce for use in the PWEDA Title X Program.

On January 4, 1975, the President signed the appropriations bill, which provided \$1 billion for the implementation of CETA's three programs; only \$125 million of this was to go to Title X. According to the requirements of OMB Circular No. A-34, the Administration had 30 calendar days following signing of the appropriations bill in which to release the funds for Title X or request a rescission or deferral of budget authority. On January 30, the President requested that use of the Title X funds be deferred until such time as they were restored for use by the Department of Labor. The statement accompanying the deferral request provided the following rationale for this action.

The funds appropriated for this purpose could not be used properly until after these review and evaluation processes were completed. Further, it is not yet evident that any programs will be identified which make effective use of these resources.

Estimated Effects:

This action, together with the supplemental request to transfer these funds to the Department of Labor, will permit the use of these funds for establishing 14,000 additional Title I public service jobs. It is not possible to estimate with accuracy the number of jobs that could be created under the Title III job opportunities program.*

* - Deferral of Budget Authority No. D75-141; Report Pursuant to Sec. 1013 of P.L. 93-344, January 30, 1975.

The President's action required no further congressional action to be effective. However, the Congressional Budget and Impoundment Control Act of 1974 stipulates that the statement accompanying a deferral must include the approximate date or indicate under what circumstances the funds will be expended. In this instance, the funds would be expended only after Congress amended the joint resolution appropriating funds for the Emergency Jobs and Unemployment Assistance Act (P.L. 93-624) to delete the instruction that \$125 million be used for Title X. On February 14, the Acting Comptroller General issued a statement that reclassified the deferral as a rescission:

Similarly, the President's special message D75-141 proposed to establish a deferral in the amount of \$125,000,000 in anticipation of congressional approval to transfer this amount of budget authority relating to the Department of Commerce job opportunity program from Commerce to the Department of Labor. Since the proposed action would effectively terminate the job opportunities program in the Department of Commerce, it is a proposed rescission (rather than a deferral) of budget authority in that Department. The President's message is to be so reclassified by us and reported as required by section 1015(b) of the Impoundment Control Act. If Congress maintains its planned schedule, and does not complete action on this item prior to that time, the budget authority must be released for obligation on April 16, 1975.*

Congress took no action on the request, and the Job Opportunities Program funds were apportioned to EDA on April 11, 1975. (Changes in the congressional calendar postponing a scheduled recess moved the expiration date forward by five days.) However, by the time apportionment occurred -- 97 days after the Congress had appropriated

* - "Review of Proposed Rescission and Deferrals of Budget Authority: Communication from the Acting Comptroller General of the United States," H.R. Document No. 94-50, February 17, 1975. As is indicated in the Comptroller's message, the Impoundment Control Act required that Congress take action in support of the request within 45 working days; otherwise, the request would expire and budget authority would revert to the Department of Commerce.

the funds -- the deadline for Secretarial review of submissions and final allocation (March 16, 1975) had been missed by 27 days. Further, although the deadline for the required departmental and agency review of projects to be funded under Title X (February 14, 1975) had been met, as a result of the delay in apportionment no use could be made of the results of the review until an additional 57 days had passed (February 14 to April 11).

In spite of this delay, the period between enactment of Title X and apportionment of program funds was not without some activity. Specifically, EDA and the Office of the Secretary of Commerce took several essential first steps toward getting the Job Opportunities Program under way, beginning with preparation of a letter to Federal departments, agencies, and regional commissions requesting that they review their projects and submit proposals for joint review by the Departments of Commerce and Labor. This "agency survey" was in process by the end of January 1975. EDA also preliminarily recommended a procedure for allocating funds based on the results of the agency survey. However, these early efforts were overridden by a disagreement that ensued -- initially between the Departments of Commerce and Labor, and later between Commerce and OMB -- regarding the allocation procedure to be used in the program. As a result, within the week prior to apportionment, EDA was required to rework the allocation procedure and, in essence, reinitiate the program.

INITIAL EDA ACTIONS

As soon as it became apparent that final approval of Title X was imminent, the Office of the Secretary of Commerce and EDA began preparing to administer the program. The first of several planning meetings -- this between the Under Secretary of Commerce and the Acting Assistant Secretary for Economic Development -- was held on December 27, 1974. Following a subsequent meeting with EDA staff (including an EDA Title X Coordinator, the only full-time professional staff person assigned by the Agency for

administration of the first appropriation*) on December 30, the Under Secretary and the Acting Assistant Secretary held a second meeting that resulted in the issuance of preliminary guidelines for program administration. More notably, however, the Under Secretary stated at this meeting that he personally intended to oversee and direct the implementation of the program.** (In an interview carried out as part of this evaluation, an assistant to the Under Secretary stated that this was done at OMB's request.)

It should be pointed out here that this was not the only occasion on which responsibility for program administration was taken from EDA. On January 22, 1975, the Under Secretary -- in a memorandum to Commerce's Acting Assistant Secretary for Administration -- requested that the Department Administrative Order relating to EDA be revised to allow the Secretary of Commerce to retain administrative responsibility over Title X.*** The Under Secretary's request was also made at the behest of OMB.

According to a former OMB employee who was a principal participant in OMB's monitoring of Title X, OMB's rationale in making this request was to insure that projects were selected for funding in an objective manner. OMB's concern was that, because EDA would otherwise have approval authority over funds and would have a number of projects

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- * - EDA named a Title X Coordinator as soon as the Job Opportunities Program was signed into law. This individual was officially appointed to that position on January 30, 1975. It should be pointed out that the Title X Coordinator was also responsible for coordinating a second special EDA program -- Title IX, the Special Economic Development and Adjustment Assistance Program.
 - ** - Memorandum from the Under Secretary of Commerce to the Secretary of Commerce, December 31, 1974.
 - *** - In reality, it was the Department Organizational Order, not the Administrative Order, that required revision to reflect this request.

eligible to compete for funds, the Agency's projects would be given undue advantage. In addition, because EDA projects characteristically involve construction of permanent facilities and require comparatively long lead times to get under way, OMB feared that, if EDA received a large share of the funds, Title X would become procyclical rather than countercyclical, as it was intended to be. However, with the Secretary of Commerce retaining responsibility, EDA's projects would presumably have no such advantage.*

Thus, while EDA carried out the task of developing the Job Opportunities Program for implementation (as discussed in the following pages), responsibility for this effort rested with the Under Secretary, and the Secretary was responsible for final project approval.

Development of Program Guidelines

On January 11, the Under Secretary forwarded to the Secretary a list of 10 guidelines that he and EDA staff had developed for considering Title X projects; namely, the projects selected for funding would be those that:

1. Contributed significantly to reducing unemployment in the area.
2. Could be initiated or strengthened promptly.
3. Could be substantially completed within 12 months after allocation.
4. Were not inconsistent with locally approved comprehensive plans, and on which local government officials were given the opportunity to comment.
5. Were significantly labor intensive.
6. Were equitably distributed by geographic region and between urban and rural areas.
7. Were relatively small in size, permitting the funding of a significant number of projects.

* - Personal interview with a former OMB official, July 9, 1976.

8. Were designed to have lasting impacts.
9. Were constructed under force account procedures.
10. Were designed to combine employment impact with other national goals.*

The Under Secretary stated that the first six of these requirements were intended to address the five requirements set forth in Section 1003(e) of the Title X legislation; the last four were added to make the program more "job intensive." The package sent to the Secretary also included: (1) a list of the Federal departments, agencies, and regional commissions that would receive a letter informing them of the required agency survey; (2) a draft of the letter to these organizations outlining the program and inviting their submission of project proposals; and (3) draft regulations for implementing the program.

On January 11, the same day he received it, the Secretary forwarded this package to OMB for review. In an accompanying letter, the Secretary stated that, although the President had requested the transfer of Title X funds to the Department of Labor -- and, within that context, Commerce had drafted a deferral message for OMB -- it was important that Commerce be prepared to comply with the law and its authorizations. It was also pointed out that, should Congress not support the President's deferral request, Commerce would need 15 temporary positions and approximately \$300,000 of the \$125 million appropriation for administering the program.

After OMB's review of the package, a number of changes were made by EDA at OMB's request. Specifically, the last five criteria for project consideration were deleted from the letter, and three paragraphs were added: one stating the President's wish that the Title X appropriation be returned for use by the Department of Labor in its established public service jobs program; one spelling out the diversity of means available for applying Title X funds; and one urging agencies to use existing programs more effectively for job creation, rather than starting new programs. A reporting form was also devised for agency use in identifying potential projects.

* - Memorandum from the Under Secretary of Commerce to the Secretary of Commerce, January 11, 1975.

Initiation of Agency Survey

On January 21, the OMB-approved letter and accompanying package were delivered to 47 departments, agencies, and regional commissions, with instructions that completed project submission forms be returned to Commerce by February 5, nine days prior to the statutory deadline for completing review. The response to the survey was overwhelming -- during the month of February some 18,000 project descriptions were received. Aside from problems created by the sheer volume of the submissions, the project descriptions varied greatly in type, detail, and information supplied; consequently, direct comparisons among them were impossible. The proposals ranged from a billion-dollar deferred maintenance and repair program submitted by the Department of Defense, to a proposal from the Small Business Administration for \$75 million for special business assistance loans, to a number of smaller scale, individual projects, such as those proposed by the Appalachian Regional Commission on behalf of the states it represents.

As a result of the variations, EDA was required to spend several weeks reviewing the proposals in an attempt to determine what commonly applicable criteria could be developed for use by the agencies for selecting projects. Further, in an attempt to determine what areas were eligible for Title X assistance, EDA during this time requested a listing of area unemployment rates from the Department of Labor's Manpower Administration. EDA made its initial request to Labor on February 7, 1975, asking for a listing of all areas eligible for CETA assistance and their associated unemployment rates. (CETA areas, by definition, must have unemployment rates of at least 6.5 percent.) In a meeting held in mid-February, EDA modified this request, asking for unemployment rates for all counties eligible to receive Title X funds. Department of Labor officials had reportedly agreed to provide these data,* and EDA reaffirmed the modified request in a letter of February 28, 1975. However, no response was received from Labor until

* - Several efforts were made to verify that, in fact, Department of Labor officials verbally agreed to provide "county data." Attempts to contact the Labor officials concerned, however, were unsuccessful. Thus, the information presented here reflects the recollections of the Title X Coordinator and EDA's then Acting Assistant Secretary for Economic Development.

March 25. (As discussed in Chapter 3, the data supplied were not in the county format requested by EDA, and the information requested by EDA to properly format the data was supplied by Labor too late to be useful.)

Other EDA Activities

During the program start-up period, EDA undertook two other steps toward getting the Title X Program under way. First, an information paper was drafted to assist the Agency's Economic Development Representatives in identifying potential projects. This was done on January 13, 1975.

Second, a request was made to the Office of Management and Budget to exempt Title X projects from Circular A-95 review requirements. (This request was made on February 27, 1975; no response was received until April 14, 1975, three days after apportionment of funds.) Although OMB had exempted the earlier PWIP program and allowed projects to be submitted simultaneously to EDA and state clearinghouses for consideration, it declined to do so for the Title X Program. OMB, citing as its rationale concern that the states have a positive role in the Job Opportunities Program, required that EDA await comment from state clearinghouses before approving Title X projects not sponsored or co-sponsored by the respective states.

COMMERCE/LABOR DISAGREEMENT OVER PROGRAM ALLOCATION PROCEDURE

As discussed above, EDA initiated the Title X Program by eliciting program and project proposal submissions from the appropriate government agencies for the joint review of the Secretaries of Commerce and Labor. This action was in accordance with Section 1004 of the Title X legislation. However, while the agency survey was in process, the Under Secretary of Labor -- in a letter to the Under Secretary of Commerce -- proposed an alternative implementation scheme for the Title X Program. The proposal was presented as a contingency plan, in the event that Congress did not accept the President's request for a deferral.

Department of Labor Proposal

Briefly, the Department of Labor's proposal was "to maximize the linkage of Title X to Title VI of CETA, and to maximize the involvement of the Chief elected officials

who are CETA prime sponsors administering Title VI, in the selection of projects to be funded under Title X."* Under this proposal:

All appropriated funds would be allocated by formula to areas of substantial unemployment, including EDA areas. CETA prime sponsors would be the delivery agents for the funds. The formula allocation would consider, among other factors, the statutory requirements of severity of unemployment and equitable distribution of funds between urban and rural areas, based on their relative needs.

Chief elected officials would recommend projects for funding in eligible areas, taking into account statutory program eligibility criteria (regarding prompt initiation, significant contribution to the reduction of unemployment, first priority to labor intensive projects, etc.) and regulatory requirements or guidelines. In making recommendations for funding, the Chief elected officials would consider Federal agency recommendations made in response to DOC's letter to Federal agencies requiring review of agency plans and evaluation of their job creating impact. Chief elected officials would also recommend locally identified projects to be funded by the Secretary of Commerce under Section 1003(c).**

Utilizing Title VI prime sponsors as the recipients of Title X funds will not preclude funding of programs in other eligible areas defined in Title X. Many redevelopment areas designated pursuant to Section 401 of PWEDA, will fall within the geographic boundaries of Chief elected officials designated to administer Title X, particularly in the balance-of-state.

* - "Concepts Paper," prepared by the Department of Labor and forwarded to the Under Secretary of Commerce from the Under Secretary of Labor, January 28, 1975. A prime sponsor is a recipient of CETA funds -- generally a unit of local government.

** - This section of the Title X legislation gives the Secretary of Commerce authority to initiate programs in eligible areas, as opposed to merely reviewing the proposals of submitting agencies.

Under this approach, the regional offices of the Departments of Commerce and Labor would review the results of the EDA-initiated agency survey and eliminate projects that were unsuitable. A list of acceptable projects would then be forwarded to CETA prime sponsors for review and recommendation, and the prime sponsors would return a list of selected projects, together with information on any additional local projects recommended for funding, to the respective regional offices for ranking and eventual return to Department of Commerce. The Department of Commerce would then distribute the funds to prime sponsors and other Federal agencies.

Not spelled out in the proposal, but alluded to at several points, was that CETA prime sponsors would choose Title X projects that complemented existing CETA public service jobs projects -- or more specifically, would use Title X funds to directly supplement CETA projects.* Because not more than 10 percent of the total cost of CETA projects may be spent on supplies and materials, and because many potential projects were not eligible for CETA funding as a result of this limitation, the Department of Labor wished to have the Title X funds "piggy-backed" onto the CETA labor funds to cover materials/supplies costs.

This point was made clear on February 11, in a letter and CETA piggy-back concepts paper sent by the Secretary of Labor to the Secretary of Commerce urging adoption of the plan. The Department of Labor's rationale for using the piggy-back approach was that it:

- Addressed the President's concern about Title X if the deferral were not supported.
- Would result in the most labor-intensive projects, since CETA projects were required to be 90 percent labor intensive.
- Was administratively expedient, since the CETA program was already well established.

* - Such statements as, "Title VI prime sponsors would select projects and programs and coordinate activities with ongoing CETA public service employment projects," and "The Department of Labor feels that Title X should be operated through CETA prime sponsors because this approach will result in the most labor intensive projects," are considered indicative of this intent.

On February 14, the Secretary of Labor sent a second letter to the Secretary of Commerce. In this letter, the Secretary of Labor stated that the staffs of the two Secretaries had met on several occasions during the preceding week and had agreed that the appropriated Title X funds would be allocated to CETA Title VI areas. The Secretary of Labor also stated that the staffs had agreed to let CETA prime sponsors both screen the projects submitted in conjunction with the agency survey and submit their own priority projects for funding by the Department of Commerce.

Department of Commerce Response

On February 28, the Secretary of Commerce responded to both the February 11 and February 14 letters of the Secretary of Labor. In his response, the Secretary of Commerce stated that it was his understanding that the two staff groups had not agreed on the prime sponsor mechanism. Further, he noted that, considering the volume of proposals received as of that date, the prime sponsor review would mean that proposal review could not be completed within the required 30 days. Finally, the Secretary stated that the proposed heavy reliance on the discretionary authority of Section 1003(c) tended to subordinate the basic mechanism of the statute, which required the survey by departments and agencies and selection from among their proposals.

The Secretary recommended that, instead of the piggy-back approach, final project authority be given to the departments, agencies, and regional commissions submitting the proposals, following a joint Commerce/Labor review of the proposals initially submitted and their determination of the selection criteria to be used by the departments and agencies in final project selection. Then, based on the "review of the appropriateness of the activities as evidenced by the analysis of the surveys, and guided by the data of area distress," the Secretary of Commerce would "allocate funds to the departments, agencies, and Regional Commissions as appropriate."*

* - Letter from the Secretary of Commerce to the Secretary of Labor, February 28, 1975.

The rationale supporting this approach was that:

- Because of the size of the job and the technical difficulty involved in a careful review of all proposals, the best way to achieve a timely allocation was to delegate final selection authority to the submitting agencies.
- The departments and agencies should have responsibility for determining which of their proposals best met their individual legislative requirements while conforming to established selection criteria.

Resolution

Records indicate that the Department of Labor made no formal response to the letter and counterproposal of the Department of Commerce. Later events showed, however, that Labor did not surrender the dispute to Commerce, but in the face of a decision made by OMB in preparation for hearings by the Senate Subcommittee on Economic Development in March,* simply temporarily receded.

In preparation for the subcommittee hearings, Commerce and OMB discussed the two approaches in a meeting on March 10, and from this meeting it appears that OMB favored Commerce's approach.** Specifically, OMB and Commerce agreed that:

1. There would be no testimony by the Department of Labor at the hearings.
2. The two departments would be responsible for reviewing the projects to determine those that did not comply with the five statutory requirements.
3. The departments would develop criteria to determine which projects did qualify, with Commerce responsible for making the first cut at criteria development.

* - These hearings, the subject of which was progress in the implementation of Title X, were being held preliminary to the Senate's appropriating the remaining \$375 million authorized for Title X.

** - Memorandum to the File, prepared by the Under Secretary of Commerce, March 13, 1975.

4. The Department of Commerce would also develop criteria for the allocation of funds among agencies, insuring some relation between the two sets of criteria. (This presumably referred to the statutory requirements and the criteria developed by Commerce and Labor.)
5. The Secretary of Commerce would make the allocation.
6. Prior to the distribution of funds, the agencies would request comments from local governments.
7. After receiving local government comments, the agencies would have final approval authority regarding funding and would distribute the funds.

Although the Department of Labor did not deliver a prepared statement at the subcommittee hearings, it continued to maintain that Title X funds should be spent in conjunction with the CETA program, as is indicated in a March 18, 1975, letter sent from the Acting Secretary of Labor to the Secretary of Commerce. In this letter, which the Acting Secretary stated constituted Labor's formal request for its recommended use of Title X funds, the Assistant Secretary also recommended that the Title X funds be used to permit the maintenance, repair, and improvement of Job Corps facilities. Specifically, the Department of Labor requested Title X funds equal to 10 percent (\$160 million) of its CETA funds, plus \$25 million for the repair of Job Corps facilities, for a total request of \$185 million in Title X funds. (No explanation was offered regarding why this amount was requested when only \$125 million had been appropriated under Title X.) In support of this proposal, the Department of Labor stated that, with \$160 million of Title X funds added to the \$1.6 billion then available for public service employment (total \$1.7 billion), an estimated 3.7 million man-months of employment would be created, while the \$25 million requested for Job Corps facilities improvements would create an additional 24,500 man-months of employment.

The discussion between Commerce and Labor over the use of Title X funds to support CETA apparently ended on March 24, when the Secretary of Commerce asked for the Secretary of Labor's concurrence with some of the proposed grant terms and conditions necessary to implement Commerce's approach. Although the two departments still had not reached agreement on how the program would be administered, the CETA piggy-back approach appears to have been largely dismissed as an issue.

OMB-INITIATED CHANGES
TO ALLOCATION PROCEDURE

At the time of the subcommittee hearings in early March 1975, it became clear that Congress did not intend to support the Administration's rescission request. Thus, although it was known that the Title X funds would not become available until at least April 11, EDA began to move forward with its approach for administering the program -- essentially, as discussed above, the same approach proposed in February.

In a March 26, 1975, letter sent to both the Secretary of Labor and the Director of OMB, EDA again stated its approach. Briefly, EDA anticipated that, because approximately 18,000 proposals had been submitted, the joint Commerce/Labor review of the proposals could not reasonably be accomplished by simply "going through the pile." The Agency thus reiterated its intention of having project selection carried out by the submitting departments and agencies, using as guidelines project selection criteria developed jointly by Commerce and Labor that insured that each project selected complied fully with the Title X legislation.

The size of each department's and agency's allocation was to be determined according to a formula that, at that point, had not been developed. However, based on its review of the submissions received, EDA recommended that the following factors be taken into account (and that each agency receive a score for each factor) in this formula:

- Each department's and agency's geographic coverage of eligible areas.
- The number of unemployed persons within the eligible areas.
- The potential of each department's and agency's proposals for creating jobs in the private sector.
- The potential of each department's and agency's proposals for creating permanent jobs.
- The permanency of the resultant project.
- The relationship of the proposals to such national needs as energy, transportation, and the environment.

"The scores received by each agency would then be weighted by the funds requested as a measure of the agency's ability to carry out the projects proposed."* (The meaning of this sentence was not clear from the context of the letter.) Finally, Commerce would develop and require the use of a project evaluation form, which would document each department's and agency's findings regarding each project selected. The completed forms, which were to be sent to Commerce at the time funds were obligated for a project, were intended principally to insure that the project complied with the requirements of the legislation. The preliminary allocation prepared by EDA in anticipation of using its approach is shown in Table 1.

Although the allocation procedure was not in final form, EDA anticipated that allocations could be made on a preliminary basis by April 4 to allow the "departments and agencies to begin their project selection prior to the transfer of funds, thus assuring prompt initiation of the program."** However, at the instigation of OMB, EDA was forced to abandon its allocation approach on April 2, 1975.***

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- * - Letter from the Secretary of Commerce to the Secretary of Labor and the Director of the Office of Management and Budget, March 26, 1975.
 - ** - Letter from the Secretary of Commerce to the Secretary of Labor and the Director of the Office of Management and Budget, March 26, 1975.
 - *** - Conversations with staff of the Senate Public Works Committee indicated that, during the March subcommittee hearings, its members had expressed dissatisfaction with the proposed allocation approach because of EDA's loss of direct, decision-making control over the funds. Nevertheless, it appears that the impetus for changing the allocation procedure came only from OMB.

TABLE 1
PRELIMINARY ALLOCATION*

Agency	Percent of Total	Amount
Department of Health, Education and Welfare	6.0	\$ 7,200,000
Department of Agriculture	14.8	17,560,000
Economic Development Administration	40.8	48,760,000
Army Corps of Engineers	3.6	4,320,000
Department of Transportation	2.9	3,480,000
Veterans Administration	1.9	2,280,000
General Services Administration	3.1	3,720,000
American Revolution Bicentennial Administration	1.1	1,320,000
National Endowment for the Arts	1.2	1,440,000
Federal Energy Administration	.9	1,080,000
Federal Trade Commission	-	
Energy Research and Development Administration	.7	840,000
Department of Housing and Urban Development	1.6	1,920,000
Environmental Protection Agency	.7	840,000
Department of Defense	1.3	1,560,000
Tennessee Valley Authority	.2	240,000
National Foundation on the Arts and Humanities	.1	120,000
National Aeronautics and Space Administration	.6	720,000
Maritime Administration	.1	120,000
National Science Foundation	.1	120,000
Department of the Interior	5.3	6,360,000
Appalachian Regional Commission	7.9	9,480,000
New England Regional Commission	.3	360,000
Upper Great Lakes Regional Commission	.9	1,080,000
Pacific Northwest Regional Commission	.5	600,000
Four Corners Regional Commission	1.3	1,560,000

* - It should be noted that the figures in the "amount column" do not total to \$125 million owing to the fact that EDA set aside some of the first appropriation in anticipation of project cost overruns and for administering and evaluating the program.

Changes Recommended by OMB

In a "memorandum to file" dated April 2, the Acting Secretary of Commerce stated that the Director of OMB had expressed concern "that in the effort to comply with the Congressional timetable, ...[the initial implementation proposal] would result in secretarial allocation on the basis of a preliminary 'scrub' ...with insufficient hard data by Commerce at the time of making the allocation... He [the Director of OMB] suggested more definitive data or 'a second scrub' before secretarial allocation, even at the risk of further delay and with the cooperation and consent of the Public Works Committee Chairman, ranking member, and staff."* As was also stated in the memorandum, the Acting Secretary and the Director agreed to the following program:

1. Commerce, in cooperation with Labor and OMB, would develop a more searching set of questions for the program applicants to determine if the "broad brush applications" then in hand represented projects that complied with the broad legislative criteria. These questions were to be sent to agency applicants no later than April 10.
2. The agencies were to respond to Commerce within one week (by April 17).
3. On the basis of the more searching examination, Commerce would identify the programs and projects that best qualified for Title X funding. The review was to begin no later than April 18 and to be completed by April 25.
4. The Acting Secretary of Commerce would review the changes to the procedure with Senators McClure and Randolph,** "emphasizing the sense

* - Memorandum to File regarding conversation with the Director of the Office of Management and Budget, prepared by the Acting Secretary of Commerce, April 2, 1975.

** - These two senators were to be involved in the procedure because of their senior status on the Public Works Committee.

of responsibility which Commerce (h)as to assure that the funds are not wasted or misspent, and at the same time to move forward with deliberate speed rather than just to shovel money out to meet a deadline."

As is indicated by the above discussion, the major change in the allocation procedure resulting from OMB's request was that department/agency review and selection of projects was no longer a key feature of the procedure. Rather, the role of the applicant departments and agencies was reduced to one of reporting on their proposed projects. The Department of Commerce, and specifically EDA, was to assume responsibility for reviewing all proposals and selecting those that would receive funding. Although this decision placed EDA in a critical program administration role, responsibility for the program still remained with the Office of the Secretary of Commerce. This is evidenced in the same April 2 memorandum, which notes that the Assistant Secretary for Economic Development was to be "informed of the new plan and to be kept advised."

Rationale for OMB Changes

OMB's rationale for changing the allocation procedure, as related by a former OMB official during this evaluation,* was more than just a desire to obtain more definitive information on a project prior to funding, as is implied by the April 2 memorandum. According to this individual, OMB's rationale was twofold:

- First, because the January 21 request for project proposals had produced a heterogeneity of responses that did not permit ready comparison for purposes of selecting the best projects, OMB believed that a more rigorous set of data was needed for each project. Such data, it was felt, could be obtained only through a second survey of the departments and agencies involved.
- Second, OMB did not approve of the weighting technique that EDA proposed to apply to each agency's allocation score. Because each agency's weighting factor was to be a function of the total amount of funds it had sought in response to the January 21 request, OMB believed that it

* - Personal interview, July 9, 1976.

avored those agencies that had not been selective in their submissions, while penalizing those agencies that had carefully examined their programs and submitted proposals only for those that best met the requirements of the Title X legislation. Thus, OMB believed that by placing project selection authority in the Department of Commerce -- rather than having it delegated to the departments and agencies as Commerce had proposed -- the problems created by the proposed weighting technique would be avoided.

In discussing the revised allocation procedure, however, the OMB official interviewed did not address the issue of why OMB waited so long to initiate the change. Because of the close communication that had been maintained between Commerce and OMB, and because OMB clearly favored Commerce's recommended procedure at the time of the Commerce/Labor disagreement on allocation, there can be no doubt that OMB was aware of the route Commerce and EDA planned to take. Therefore, it is not clear why OMB expressed its objections to Commerce's allocation procedure as late as April 2, only nine days before apportionment was to take place.

It is the opinion of EDA's Title X Coordinator that OMB began to believe that the rescission request would not be accepted only in early April. Once it became clear that Congress would not accept the rescission, OMB feared that the weighting of agency allocation scores would result in too much money being allocated to EDA. Consequently, rather than having the allocation made by formula to the proposing agencies, OMB preferred to have projects individually reviewed and approved within the Department of Commerce, which had earlier agreed, at OMB's request, to maintain close supervision of the program.

Regardless of why the procedure was changed, the end result -- as discussed in the next chapter -- was that allocation could not be made until June 18, as a result of the time required for Commerce and EDA to process the project applications. Thus, there was an approximately two-month delay between the date anticipated by EDA for funds allocation and the date on which this activity was accomplished.

REVISION OF THE
ALLOCATION PROCEDURE

EDA began revising the allocation procedure on April 2, the same day on which OMB and the Office of the Secretary agreed that the procedure should be changed. As part of this effort, several meetings were held in which the Office of the Secretary, EDA, and OMB worked to ensure that the allocation procedure reflected the Commerce/OMB agreements.

Commerce/EDA Components
Of Revised Allocation Procedure

As part of the revised procedure, it was decided that a second letter would be sent to each department, agency, and regional commission that had fulfilled its initial requirement to survey its activities -- in effect, these agencies were asked to conduct a resurvey. The only agencies excepted from the resurvey request were those that had proposed activities for which they did not have authority and those that proposed efforts that could be carried out with existing public service employment funds.*

The purpose of the second letter was to explain to the submitting agencies that, because a large number of proposals had been received and because the funds requested exceeded the amount appropriated several times over, a priority ranking of projects had to be developed. Agencies

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- * - The rationale for excepting agencies proposing activities for which they did not have authority was legalistic. Excepting agencies proposing projects that could be carried out with existing public service employment funds reflected an EDA policy decision. EDA believed that, because CETA public service employment programs had been funded in a separate section of the same legislation that created Title X, the two programs should be kept distinct. In addition, the Title X Coordinator pursued a policy of discouraging public service jobs projects when issuing informal guidance to the submitting agencies. The Acting Secretary of Commerce concurred in these decisions.

were thus requested to review their responses to the initial survey and select projects according to the following guidelines:

- The severity of unemployment in the area for which a project was proposed.
- The labor intensiveness of the project.
- The correlation between jobs that would be created by the project and the skills available in the area.
- The leverage to be realized by providing Title X funds for the project.

To insure that these guidelines were taken fully into account and that responses were comparable, the agencies were to be required to complete an evaluation form (Form SEC-887, dated April 1975)* for each project submitted. This form sought the following information: project financing data; estimated employment impact; project location; area unemployment rate; project description; required labor skills; time necessary to complete project; and project compliance with locally approved plans. On the basis of the information supplied on the form, proposals were to be evaluated in terms of the extent to which they satisfied the selection guidelines, assigned appropriate scores, and ranked accordingly.

To facilitate ranking of the project data forms, all forms were to be computerized following a preliminary manual screening. It was felt that, in consideration of the number of proposals likely to be received, comparison and ranking would be impossible without the use of automated procedures.

Five items of information -- four of which corresponded to the guidelines provided to the agencies for review of their proposals -- were to be used as criteria for ranking the proposals. (The fifth item, the permanent benefits to be created by the project, was not communicated to the

* - A copy of this form is provided as Appendix D to this report.

agencies in the resurvey letter because of an oversight.) These items were selected on the basis of their satisfying the requirements of the authorizing legislation and their representativeness of the intentions of the bill. The three legislative criteria were unemployment rate, labor intensity, and job match (i.e., the appropriateness of the activity to the local labor force). Leverage and permanent benefits were the discretionary factors to be considered.

Finally, to insure that the volume of proposals and the total amount of funds requested would be kept within manageable proportions, each agency was to be given a planning range within which the total amount of its requested Title X funds should fall. These ranges were initially intended to reflect each agency's proportion of the total amount requested in the first survey. That is, if an agency's proposals represented 10 percent of the \$3.2 billion in requests received during the initial survey, its planning range would be set to allow it approximately 10 percent of the Title X funds actually available for allocation. (Although these ranges were to be considered tentative, the rationale supporting them was that the number and dollar amount of an agency's submissions were an indication of that agency's ability to "outreach" and develop projects.)

Other factors considered in developing the ranges were the geographic coverage of the submitting agency, the kinds of projects submitted, and whether the agency had screened its submissions. Agencies whose programs encompassed only a few states were given smaller ranges than those whose programs covered a majority or all of the states. The relative population of the area covered and its unemployment rate was also taken into account.

Although the guidelines used in establishing agency planning ranges and the guidelines established for the earlier approach to allocation appear similar, the amount of funds they earmarked for the respective agencies differed markedly. (The planning ranges established for the revised allocation appear in Table 2.) For example, the upper planning limit for EDA was almost \$9 million below what the earlier preliminary allocation had anticipated. Other agencies, such as the National Aeronautics and Space Administration, the American Revolution Bicentennial Administration, and the Tennessee Valley Authority, received upper planning limits much larger than were envisioned in the preliminary allocation. Finally, agencies such as the

TABLE 2
TITLE X PLANNING TARGETS

Agency	Target Funds (Range)	
	Minimum	Maximum
Department of Agriculture	\$ 19,200,000	\$ 25,000,000
Maritime Administration	200,000	500,000
Department of Defense	2,000,000	3,000,000
Department of Health, Education, and Welfare	7,800,000	10,000,000
Department of Housing and Urban Development	2,500,000	6,000,000
Department of the Interior	6,800,000	8,500,000
Department of Labor	1,500,000	4,500,000
Department of Transportation	3,700,000	6,500,000
American Revolution Bicentennial Administration	2,500,000	4,500,000
Army Corps of Engineers	4,500,000	6,500,000
Energy Research and Development Administration	2,500,000	4,500,000
General Services Administration	4,750,000	6,000,000
National Aeronautics and Space Administration	2,000,000	3,000,000
National Foundation on the Arts and Humanities	1,600,000	2,000,000
Small Business Administration	6,800,000	8,500,000
Tennessee Valley Authority	1,500,000	3,000,000
Veterans Administration	2,500,000	3,000,000
Economic Development Administration	34,000,000	40,000,000
Appalachian Regional Commission	10,500,000	13,000,000
Pacific Northwest Regional Commission	1,500,000	2,000,000
New England Regional Commission	1,500,000	3,500,000
Four Corners Regional Commission	1,500,000	3,500,000
Ozarks Regional Commission	1,500,000	3,500,000
Old West Regional Commission	1,500,000	2,000,000
Upper Great Lakes Regional Commission	1,500,000	3,500,000
Coastal Plains Regional Commission	1,500,000	3,500,000
TOTAL	\$127,350,000	\$179,500,000

TABLE 2 (CONTINUED)
TITLE X PRELIMINARY ALLOCATION

Agency	Target Funds
Department of Agriculture	\$ 17,560,000
Maritime Administration	120,000
Department of Defense	1,560,000
Department of Health, Education, and Welfare	7,200,000
Department of Housing and Urban Development	1,920,000
Department of the Interior	6,360,000
Department of Labor	0
Department of Transportation	3,480,000
American Revolution Bicentennial Administration	1,320,000
Army Corps of Engineers	4,320,000
Energy Research and Development Administration	840,000
General Services Administration	3,720,000
National Aeronautics and Space Administration	720,000
National Foundation on Arts and Humanities	1,560,000
Small Business Administration	0
Tennessee Valley Authority	240,000
Veterans Administration	2,280,000
Economic Development Administration	48,760,000
Appalachian Regional Commission	9,480,000
Pacific Northwest Regional Commission	2,000,000
New England Regional Commission	3,500,000
Four Corners Regional Commission	3,500,000
Ozarks Regional Commission	3,500,000
Old West Regional Commission	2,000,000
Upper Great Lakes Regional Commission	3,500,000
Coastal Plains Regional Commission	3,500,000
Federal Energy Administration	1,080,000
National Science Foundation	120,000
Environmental Protection Agency	840,000
TOTAL	\$117,080,000

Environmental Protection Agency, the National Foundation on the Arts and Humanities, and the National Science Foundation, which were scheduled to receive funds under the preliminary allocation, were eliminated from funding consideration under the revised approach.

The reasons for the differences between the two anticipated allocations were: the modified review criteria; the unsuitability for Title X funding of some agencies' proposals; and the fact that the revised allocation procedure required that Commerce/EDA consider more proposals than Title X could fund so that competitive selection could be undertaken. In the initial allocation plan, this task would have fallen to the individual departments and agencies, to which Commerce/EDA would have already allocated funds.

OMB Input to the Revised Procedure

As the revised plan was being developed by the Office of the Secretary and EDA, OMB presented what was termed the "go/no-go" paper. Deriving its name from the 6.5 percent area unemployment rate necessary for Title X eligibility, the go/no-go paper contained OMB's ideas on how the Title X program should be administered. Briefly, it reiterated the needs for a second letter to the agencies and for more uniform and detailed project information to enable Commerce/EDA to select the best projects. Because the project information OMB sought had been included in the proposed Form SEC-887, there was no practical difficulty in implementing this recommendation.

A difference of opinion did result, however, regarding the criteria to be used to select projects for funding. While Commerce/EDA planned to rank proposals in terms of satisfying the three legislative and two discretionary criteria, OMB's go/no-go paper proposed using only two criteria:

- Unemployment rate in the area (carrying a maximum score of 25 points).
- Title X cost of creating a man-year of employment for a previously unemployed area resident, with lower cost figures receiving higher scores, up to a maximum of 75 points.

In addition to proposing different ranking criteria, OMB opposed the Commerce/EDA notion of agency planning ranges, asserting that selection of the best possible projects could be achieved only if there were no limits on what an agency could propose. Resolution of these differences was accomplished rapidly, with few concessions by Commerce/EDA.

Resolution

With regard to the proposed change in ranking criteria, Commerce/EDA maintained that OMB's two criteria did not adequately reflect the requirements of the Title X legislation, which specifically stated in Section 1003(d) that, "...the Secretary of Commerce shall give priority consideration to: (1) the severity of unemployment in the area; and (2) the appropriateness of the proposed activity in relating to the number of needs of the unemployed persons in eligible areas." In addition, as stated in Section 1003 (e), "...funds allocated by the Secretary of Commerce shall be available only for programs and projects...(5) which will be approved giving first priority to programs and projects which are most labor intensive."

Commerce/EDA maintained that OMB's proposal completely overlooked the consideration to be given to the job match criterion, while giving undue weight to labor intensity (implicit in OMB's cost per man-year criterion). OMB conceded the argument with little discussion, after it won a concession from Commerce in the form of a third discretionary selection criterion -- "cost-effectiveness," which was defined as the Title X cost per man-month of anticipated employment.

With regard to the issue of agency planning ranges, Commerce/EDA was successful in convincing OMB of the need to keep proposal submissions to a manageable number. However, OMB was reluctant to concede the point, and did so only after successively proposing its own alternatives. Initially, OMB felt that EDA should receive a minimum total amount of requests (\$500 million being the first proposal) before allocating any of the Title X appropriation. The purpose of the minimum was to insure that EDA had a sufficient number of proposals to choose from in making the allocations, thereby increasing the likelihood that the best possible projects would be selected.

When Commerce/EDA rejected this approach as requiring an unmanageably high number of proposals, OMB responded with several lower figures, the last suggestion being

\$200 million. Although the Acting Secretary of Commerce did not accept this figure as binding, it was agreed that, if submissions exceeded the \$179.5 million upper limit of the planning ranges already envisioned by Commerce/EDA, the "excess" proposals would be equally considered. OMB was still not satisfied with the arrangement. Rather, OMB stated that the ranges given to each agency should be emphasized as being preliminary or tentative in nature, and if the proposals submitted did not comply with terms and conditions or were not competitive with those of other agencies, any or all of the preliminary amount could be reallocated.*

A second argument presented to OMB by Commerce/EDA could help to explain why OMB proved willing to relinquish its original position concerning planning ranges. Recalling that the Administration and OMB had been opposed to the Title X Program from the beginning, and that Congress was considering appropriating an additional \$375 million for the program as these discussions were taking place, Commerce/EDA argued that, by putting a lid on the requests for funds (i.e., planning ranges), apparent pressure for additional funds would be reduced. That is, by reducing the number of proposed projects not funded and thereby reducing pressure from the proposing agencies and their beneficiaries for additional Title X funds, the likelihood of a second allocation could be minimized.

Once these disputes had been resolved, the resurvey request to the departments, agencies, and regional commissions was put in final form and was signed by the Secretary of Commerce on April 8, 1975. The letter, with the SEC-887 project evaluation form, was hand delivered to the appropriate agencies, with a request that responses be returned to the Department of Commerce by April 30. The letter (a copy of which is provided as Appendix E to this report) indicated that projects would be selected and funds transferred by June 1, 1975.

* - Record of conversation between the Director of the Office of Management and Budget and the Acting Secretary of Commerce, April 4, 1975.

LABOR'S FINAL OBJECTIONS
REGARDING PROGRAM IMPLEMENTATION

Although it would seem that with the Secretary of Commerce's signing of the April 8 letter to the agencies the major conflicts between the principal parties involved in Title X (Commerce, Labor, and OMB) had been resolved, this was not the case. On April 10, the Secretary of Labor responded to a March 24 communication from Commerce seeking the Secretary's formal concurrence with regard to the terms and conditions for implementing Section 1003(e) of the legislation.* In this same response, the Secretary of Labor offered his opinion regarding Commerce's initial allocation plan of which he had been informed by letter on March 26 and which, at that point, had already been modified by EDA working with OMB.

Comments on Terms and Conditions

The terms and conditions implementing Section 1003(e) of the Title X Act, which established the criteria to which Title X projects were to conform, had been drafted by staff members of both the Department of Commerce and the Department of Labor. Briefly, these terms and conditions were as follows:

1. Employers using Title X funds would be required to hire previously unemployed workers, with priority being given to those persons who had been unemployed the longest. Project records were to contain documentation of efforts to hire the unemployed.
2. Grantees were to obligate Title X funds not later than 75 days after transfer from the Department of Commerce, with employment beginning not later than 120 days from the date of transfer. If either requirement was not met, the funds would be deobligated and returned to Commerce for use in another project.
3. Projects were to be at least 75 percent complete 12 months after allocation.

* - Because responsibility for Section 1003(e) was shared by the Departments of Commerce and Labor, the Secretary's formal concurrence regarding the grant terms and conditions was required.

4. Projects funded under Title X were not to be inconsistent with locally approved plans.
5. Projects were to be at least 60 percent labor intensive unless funds were being used in conjunction with CETA programs, were to enable the prompt creation of jobs and not exceed 20 percent of the project cost, or were to create a significant number of jobs in the private sector.
6. All projects were to be located in areas: (a) in which the unemployment rate exceeded 6.5 percent; (b) which had been designated as eligible for funds pursuant to Section 204(c) of CETA; or (c) which had been designated pursuant to Section 401 of PWEDA as a redevelopment area.

The only comment offered by the Secretary regarding these terms and conditions was that his department had some reservations about them and that the staffs of the two departments should again meet to refine the language. This was done in May 1975.

Comments on Allocation Procedures

Although the staffs of the Departments of Commerce and Labor were in almost daily contact during the start-up days for Title X, and although Labor's staff was fully aware of the OMB-instituted changes in the allocation procedure, the Secretary of Labor chose to put forth another approach. Briefly, his proposed approach to allocation and program administration was as follows:

- The responses to the initial agency survey should be reexamined by the submitting agencies in line with screening criteria developed by the Departments of Commerce and Labor, and the agencies should be asked to resubmit only those projects that fully met these criteria.
- Local elected officials should be given the opportunity to establish priorities after reviewing the federally recommended projects. Further, local officials should be provided with planning targets of funds available for their respective areas, and should be permitted to submit locally initiated projects that, in their

opinion, were of higher priority than the federally recommended projects. Although the planning targets were to encompass all funds available, if suitable projects could not be implemented within a specified time period, an eligible area's target funds should be reallocated to another area.

- Final review and selection of projects should be accomplished jointly by the Departments of Commerce and Labor.

The Secretary of Labor further criticized Commerce's allocation proposal for delegating review authority and for recommending a procedure whereby it would be difficult to determine if the areas of greatest need received "adequate and proper assistance" from Title X.

With regard to the first recommendation (that the agencies resubmit their proposals in conformance with joint Commerce/Labor screening criteria), it is not clear why the Secretary of Labor chose to reiterate a criticism already leveled by OMB. In addition to being fully aware of the revisions that OMB had recommended, Department of Labor personnel were aware of the changes that had been made in the allocation procedure at the time the Secretary drafted these comments -- changes that fully remedied OMB's criticisms and Labor's echo of them. There are two possible reasons why the Secretary included this recommendation in his April 10 letter:

- A desire to be on record as opposing the first allocation procedure.
- To provide some background for reintroducing the second recommendation -- i.e., the concept of establishing local planning ranges and allowing locally elected officials to review and prioritize Title X proposals.

With regard to the second recommendation, it is difficult to understand why this concept was re-introduced after the Secretary of Commerce, with the de facto approval of OMB, had eliminated local review from consideration a month earlier. One explanation for this might be found in the fact that a new Secretary of Commerce had been appointed since Labor had last discussed its approach to allocation. And Labor perhaps believed that the new Secretary might view its proposal more favorably (especially given the Administration's objections to Title X) and, consequently, give it fresh consideration.

In any event, because Labor's criticisms had already been remedied by Commerce in responding to OMB's criticisms, and because the review by local officials had previously been dismissed as being too time consuming and cumbersome, no action was taken to respond to the Secretary of Labor's letter.

In summary, with only three days remaining until the first apportionment, the Job Opportunities Program -- on which work had been initiated by EDA in January 1975 with the development of program guidelines and the mailing of the agency survey -- stood, as of April 8, 1975, at essentially the same spot it had in January. However, with agreement being reached regarding one critical aspect of this jointly administered program -- the allocation procedure -- at least one major hurdle in program administration had been scaled by the time of apportionment.

3 - FIRST APPROPRIATION PERIOD

POST-APPORTIONMENT ACTIVITIES

On April 11, 1975, (almost three and one-half months after the Title X legislation was signed) the 45-day period allowed for congressional action on a Presidential rescission request expired. As a result of Congress' inaction on the request, OMB was required to apportion the \$125 million appropriation. However, in releasing the apportionment and so notifying the Department of Commerce, OMB attached six conditions to the apportionment so that "the most effective and economical use of the available funds"* might be achieved. These six conditions were as follows:

1. These funds will be allocated by the Secretary of Commerce only for programs or projects which the Secretary of Commerce and the Secretary of Labor jointly determine are programs or projects which meet the criteria of Section 1003(e) of Title X. Section 1003(e) establishes the criteria to which projects selected for Title X funding must conform.
2. Except as provided below, these funds will be allocated by the Secretary of Commerce only for the most effective projects or programs which have passed the joint review by the Secretaries of Commerce and Labor; relative effectiveness will be determined on the basis of the priority criteria set forth in Title X. Exceptions to selection on the basis of relative effectiveness will be made only in accordance with conditions and procedures established to comply with requirements on the use of funds for non-labor costs (Section 1005) and distribution of funds between rural and urban areas (Section 1006).

* - "Apportionment and Reapportionment Schedule: Conditions Attached to Apportionment and Reapportionment Schedule Job Opportunities Program 135/62051," Ftn. 2, April 11, 1975.

3. In order to assure selection of the best possible projects from an adequate number of proposals, none of the funds will be allocated until the Department has considered proposals (which have been determined acceptable by the Secretaries of Commerce and Labor in accordance with Section 1003(e)) with Title X funding requests totaling at least 200 percent of the total amount which will be allocated, or \$175 million, whichever is less.
4. In the allocation of these funds, the planning targets provided to the agencies will not be considered ceilings on the amounts of funds which can be allocated to each agency. If it appears that an agency can use funds in excess of its planning target for projects or programs which will be more effective than projects or programs proposed by other agencies, such agency will be requested to submit additional specific proposals for review, and such proposals will be ranked in priority order in the same manner as if they were submitted within the agency's planning target.
5. In order to assure that recipient departments and agencies have adequate staff resources to expeditiously and effectively use the funds allocated to them, these funds will not be allocated to any department or agency until the proposed allocations have been reviewed by OMB and determinations made that the recipient departments or agencies have adequate staff resources to administer the funds.
6. None of these funds will be allocated to any department or agency to be used for any program or category of projects if the President's 1976 Budget request for that department or agency includes no funds for such program or category of projects, except as specifically approved in advance by OMB.*

* - "Apportionment and Reapportionment Schedule: Conditions Attached to Apportionment and Reapportionment Schedule Job Opportunities Program 135/62051," April 11, 1975.

Commerce's reaction to the conditions, as expressed by the Acting Assistant Secretary for Administration, was that they "amount to instructions to Commerce on how to run the program, and...include directions that OMB review and approve certain actions."* He summarized Conditions 1 and 2 as stressing strict adherence to the project review criteria found in the Title X legislation and emphasizing the role of the Department of Labor. Conditions 3 and 4 were seen as insuring that only priority projects would be selected. (It should be pointed out that the phrasing of Condition 3 was such that neither the Office of the Secretary nor EDA was able to determine exactly what OMB intended.) Conditions 5 and 6, however, required OMB review and approval of project distribution.

Concerning Condition 5, the Acting Assistant Secretary for Administration stated that it was "obstensibly to be sure that receiving agencies have enough employment ceiling and salaries for project administration." Condition 6 "aims to keep projects that OMB has previously disapproved from getting Title X funding... We believe that these conditions are plainly offensive. It seems to us still another effort by OMB to intrude itself in the detailed operations of one of our programs. Moreover, some may even be illegal. We believe, however, the legal question should be addressed by the General Counsel."**

At the request of the Secretary of Commerce, the General Counsel reviewed the conditions, and on May 15 presented a position on each of them. The General Counsel found Conditions 1, 2, and 4 acceptable insofar as they

* - Abstract of Secretarial correspondence from the Acting Assistant Secretary for Administration to the Secretary of Commerce, Subject: OMB Conditions on Apportionment of the Job Opportunities Program, April 15, 1975.

** - Abstract of Secretarial correspondence from the Acting Assistant Secretary for Administration to the Secretary of Commerce, Subject: OMB Conditions on Apportionment of the Job Opportunities Program, April 15, 1975.

either restated provisions already contained in the Title X legislation or, in the case of Condition 4, were within the discretionary authority of OMB. However, it was felt that Conditions 3, 5, and 6 "would operate in such a manner as to be contrary to existing law."*

It was the judgment of the General Counsel that Condition 3 (that the Secretaries of Commerce and Labor consider funding requests totaling at least 200 percent of the total amount or \$175 million before allocating any funds) required "a new procedural criterion, in apparent contravention of the statute." Although considered to be a reasonable management predicate (i.e., assuring selection of the best possible projects by having an adequate number of proposals from which to select), the condition would force the Secretary of Commerce to withhold any allocation until the stated dollar amount or ratio of proposals had been considered. On the other hand, this statute required that the Secretary allocate funds, directly subsequent to the submission process, to projects and programs that met the criteria of the Act. The General Counsel concluded that the condition would operate "in derogation of the provisions of Title X and as a deferral of budget authority."

Condition 5 (that OMB review proposals prior to the allocation of funds to insure that the submitting agencies had adequate staff to administer the funds) was found to be reasonable, and the General Counsel noted that the agencies had already been informed that they were to propose only projects that they could administer. The difficulty was that, "for OMB to order that no funds be allocated to any agency before OMB itself reviews the allocation and determines that the agency has adequate staff resources, seems to be at least a usurpation of Secretarial prerogative. Moreover, if the head of an agency states that he has the staff to carry out the program or project for which he has made a submission, and OMB decides he has not, there has been introduced another procedural condition not contemplated by Title X which could delay and perhaps prevent the Secretarial allocation for such activity. This could also be considered a deferral of budget authority, improperly exercised through this OMB administrative procedure, and so contrary to law."

* - Memorandum from the General Counsel to the Secretary of Commerce, May 15, 1975.

Condition 6 (that no program or category of projects would receive Title X funding unless it was in the President's 1976 budget request or specifically approved in advance by OMB) was considered by the General Counsel to be "legally improper, again in the face of Title X and the Impoundment Control Act of 1974." Further, the General Counsel noted that, because there were no provisions in Title X enabling the Secretaries to eliminate projects that were not in the 1976 budget, the OMB authority contained in "Condition 6 is strained beyond its [OMB's] intended or clear purpose... For OMB to insist upon Condition 6 could be considered in affect contrary to its responsibility as a Presidential manager to see that the laws are faithfully executed."

On June 2, 1975, the Secretary of Commerce forwarded the General Counsel's statements to the Director of OMB, along with a request for release from the conditions. As his rationale for the request, the Secretary cited the legislative language and history of Title X, which "indicate a Congressional intent that final allocation of Title X funds was made the sole responsibility of the Secretary of Commerce so that the program would not be delayed in implementation by a need for review by some other Federal agency."*

On June 13 (approximately two weeks after Commerce, as noted in its April 8 letter to submitting agencies, had planned to make the allocation), OMB verbally agreed to withdraw the conditions Commerce/EDA found objectionable -- Conditions 3, 5, and 6. OMB's action, in the opinion of the Under Secretary of Commerce, was the result of time pressures to have the funds allocated.** However, OMB's formal response to the Secretary's June 2 letter was not received by Commerce until June 17, the day before EDA made the Title X allocation. (The proposed allocation had been forwarded to OMB for review on the previous day.)

* - Letter from the Secretary of Commerce to the Director of the Office of Management and Budget, June 2, 1975.

** - Memorandum from the Under Secretary of Commerce to Secretary of Commerce, June 13, 1975.

In its June 17 written response, OMB noted that Conditions 1 and 2 were restatements of Title X and were included because "we were informed that the Department was considering an allocation of funds to agencies which was not based on a review of individual projects, as is required by law."* (Considering that OMB was fully aware of EDA's earlier approach to allocating Title X funds -- as a result of its involvement in the April revision of that procedure -- it is difficult to understand this comment.) Condition 4, OMB stated, was imposed to insure that the planning targets were not viewed as allocations, as well as to insure that Commerce complied with the legislation. (Again, considering the circumstances under which Commerce/EDA had revised the allocation procedure, this comment too is difficult to understand.)

Condition 3, OMB noted, was "intended to assure a selection of the best possible programs and projects from an adequate number of acceptable agency proposals." OMB maintained that the purpose of the condition was not to delay allocation but to permit the piecemeal allocation of funds as acceptable proposals became available. However, because projects totaling \$185 million were found acceptable under the joint Labor/Commerce review, OMB saw no further need for the provision and had "no objections to removing it."

Condition 5, OMB stated, was included to avoid situations such as the Department of Commerce's recent request for an additional 18 positions, which OMB could not act on until it knew how many of the positions would go to EDA. OMB stated that its advance review of project staff resources "would permit quick resolution of any such problems and avoid the need for any reallocations or rescission requests." While agreeing to remove the condition, OMB nevertheless stated its desire to review the proposed

* - Letter from the Associate Director for Economics and Government, Office of Management and Budget, to the Secretary of Commerce, June 17, 1975.

allocations with Commerce and the receiving agency, prior to allocation, to determine if any problems existed.*

Concerning Condition 6, OMB took the position that its purpose was to help identify ineffective or inappropriate programs and eliminate them before a Presidential request for rescission of an allocation was required. While OMB agreed to delete the condition, it emphasized the President's right to request rescissions for any part of the Title X funds, and suggested that its prior review might help avoid the need for such requests. (In fact, no programs were eliminated as being inappropriate based on OMB's limited review of the allocation, and no rescission requests were made.)

In closing its letter, OMB stated that the apportionment was being appropriately revised and would be delivered shortly. It concluded by stating that "these problems in administering this program certainly reinforced the Administration's strong opposition to any further funding for Title X." In fact, however, the three principal problems experienced as of that time in allocating the first Title X appropriation -- the deferral/rescission request, the April 2 change in allocation procedure, and the leveling of six conditions on the apportionment -- could all be attributed to the Administration and OMB.

Commenting on why OMB had issued the six apportionment conditions after Commerce/EDA had already altered the program allocation procedure at OMB's request, EDA's Title X Coordinator (in an interview carried out during this evaluation) stated that OMB simply wanted to insure that Commerce did not back-slide on its agreements. Although imposition of the six conditions did not appreciably delay implementation of the program once the apportionment was received, it did further complicate an already complex situation and ultimately served no useful purpose.

* - As noted earlier, the Secretary of Commerce forwarded the proposed allocation to OMB for review only two days before agency notification of the allocations. While this did afford OMB some opportunity to review the allocation overall, it is unlikely that OMB could or did review each agency's staff resources prior to the allocation's being announced.

During the post-apportionment period, the following activities were carried out:

- The criteria to be used as the basis for project selection -- the "project review criteria" -- were jointly determined by the Departments of Commerce and Labor, and the screening factors, scoring factors, and policy weights to be used in actual project selection were developed by EDA.
- Problems encountered in processing the project applications were resolved.
- A determination was made regarding how the legislative criterion of having an urban/rural balance among selected projects was to be achieved.
- Steps were taken toward initiating the joint Commerce/Labor review of selected projects, which legislatively was required prior to funds allocation.
- Funds were allocated.

DETERMINATION OF PROJECT REVIEW AND SELECTION CRITERIA

During the pre-apportionment period, OMB and Commerce had jointly agreed on six criteria to be used for scoring and ranking project proposals to determine if they should be funded. (To reiterate, it was agreed that three legislative criteria -- labor intensity, job match, and area unemployment rate -- and three discretionary criteria -- leverage, indirect benefits, and cost effectiveness -- would be used.) Preliminary to assigning scores and weights to these criteria, however, it was necessary that the Departments of Commerce and Labor jointly develop project review criteria that could form the basis for eliminating project proposals that clearly did not meet the intent of the Title X legislation, before these proposals were processed.

Project Review Criteria

Throughout the first apportionment period, personnel from the Departments of Commerce and Labor -- through staff meetings and exchanges of correspondence -- worked on the

formulation of the basic criteria that each project proposal was to satisfy before it could be processed for funding. These criteria were to be reflected in a manual screening to be carried out before proposals were entered into the computer for scoring and ranking. It was not until May 2, 1975, two days after the agencies' resubmitted proposals were scheduled to be returned to Commerce, that the two departments reached agreement on the project review criteria. These were as follows:

1. The Secretary of Commerce was to consider for funding projects and programs that would provide employment for persons at least 80 percent of whom were previously unemployed.* Other factors to be considered in funding included severity of unemployment in the area, density of population, nature of project work, and nature of labor skills involved. Further, the projects and programs were to include new employment opportunities, continuation of employment, and provision of secondary and indirect employment. In those instances in which the Secretary of Commerce believed that a project proposal that did not meet these criteria should nevertheless be eligible for funding consideration, the proposal was to be referred to the Secretary of Labor for his opinion on whether the project would otherwise contribute to reducing unemployment.
2. The Secretary of Commerce was to fund projects and programs in which employment would begin no later than 120 days from the date of transfer of funds.
3. The Secretary of Commerce was to fund projects and programs in which at least 75 percent of the funded activities would be completed within 12 months of allocation.

* - Labor had requested that this condition state that 90 percent, rather than 80 percent, of the persons hired be previously unemployed. Commerce did not concede to this request.

4. In order to satisfy A-95 review requirements, the Secretary of Commerce was to fund projects and programs that were not inconsistent with locally approved plans. Other local plans to be complied with, at the request of the Department of Labor, were those prepared for the Economic Development Administration, the Department of Housing and Urban Development, and the Comprehensive Employment and Training Act of 1973.
- 5.a. Fifty percent of the funds appropriated were to be available only for projects and programs in which not more than 25 percent of such funds would be expended for necessary non-labor costs. The Secretary of Commerce was to give funding consideration to the highest ranked projects that met this criterion.
- 5.b.1. The Secretary of Commerce was to distribute the remaining 50 percent of the funds appropriated to projects and programs not funded under the preceding criterion. The most labor intensive of these were to receive priority consideration; only in exceptional cases could necessary non-labor costs exceed 40 percent of the funds appropriated.
- 5.b.2. Exceptional cases for funding projects and programs in which non-labor costs exceeded 40 percent of the funds appropriated were to require documentation that:
 - a. The funds would be used to jointly fund programs authorized under Titles II or VI of CETA, if the project was to provide a substantial number of jobs.
 - b. The funds would be used to supplement other funds for the prompt initiation of projects that would stimulate the creation of jobs, provided that the funds did not exceed 20 percent of the total project costs. It was to be certified that other funding sources were not available, and documented job estimates were required.
 - c. The project or program was to directly result in the creation of a significant number of permanent jobs in the private sector of the economy.

With the exception of those sections pertaining to the ranking of projects according to labor intensity and other considerations, all of the items in Criterion 5 were included at the request of the Department of Labor.

Project Selection
Criteria and Procedures

Throughout the period from early February through April 1975, EDA considered various proposals (all prepared within the Agency) for applying scores and ranking project proposals. However, the final ranking procedure -- like the final project review criteria -- was not decided on until early May, at approximately the same time the project proposals were to be received by Commerce. Work on refining the procedure continued through early June.*

As the procedure was finally defined, the first step in selecting projects for funding was a manual screening of proposals by EDA based on information provided by project applicants on the Form SEC-887s. The purpose of this screening was to set aside those proposals that did not meet the minimum eligibility criteria for Title X, as reflected in the project review criteria that had been jointly determined by Commerce and Labor. That is, proposals were set aside if they:

- Did not include a requirement for hiring unemployed persons.
- Would not permit obligation of Title X funds within 75 days of notification of transfer.
- Did not permit employment to begin within 120 days of notification of transfer.
- Had not received an A-95 review and provided no explanation of why the project was not inconsistent with locally approved plans.

* - This procedure, which was described in a memorandum dated May 9, 1975, was essentially the same as one first proposed on March 5, 1975, but not given full consideration at that time.

- Did not allow the appropriate unit of general government an opportunity to comment on the proposal.
- Were proposed by an agency that did not have the authority to undertake/authorize the project.

Proposals that passed this initial screening were then to be eligible for scoring and ranking according to the following procedure, which was developed and applied by EDA. (This procedure is described in detail in Appendix F to this report.)

1. For each of the six items of information necessary for ranking proposals, histograms were prepared showing each item's distribution of observed values. Projects were then compared with each other, and, on the basis of each item's distribution, scoring intervals were derived that reflected how well proposals within each interval satisfied the requirements of the criterion being examined.
2. Each proposal was then scored on each of the six items, with minimum scores of 0, 0.5, or 1 and a maximum score of 5. (It should be noted that the first two legislative criteria -- labor intensity and job match -- were combined into a single item termed "labor value" for the scoring exercise. A project's labor value was determined by multiplying the labor intensity -- total labor costs divided by total funds -- by job match, which was assigned a value of from 1 to 5.)
3. The score assigned to each item for each proposal was then multiplied by an EDA-assigned policy weight as follows: Labor value - 10;* area unemployment - 5; leverage - 2; indirect benefits - 2; and cost effectiveness - 1.

* - Labor value was assigned a value of 10 because it encompassed two legislative criteria.

Following this procedure, EDA began project selection in early May. In a May 12, 1975, memorandum to the Under Secretary, the Assistant Secretary for Economic Development noted that, although agency responses had been due on April 30, three agencies (the Department of Transportation, the General Services Administration, and the Veterans Administration) had not yet submitted their proposals. An additional five agencies (the Department of Health, Education, and Welfare, the Department of Housing and Urban Development, the American Revolution Bicentennial Administration, the Soil Conservation Service, and the Department of Labor) had forwarded only partial submissions, with the balance expected during the following week.

As of that date, all proposals submitted -- with the exception of six proposals submitted from ineligible areas -- had passed the manual screening. Based on the response, the Assistant Secretary estimated that a total of 1,500 proposals would be submitted, representing an aggregate request for Title X funds of \$180 million. Proposals were being reviewed and scored as received, and entered into the computer files for comparison and ranking. However, as discussed below, this process was not without problems.

PROBLEMS IN PROCESSING PROJECT PROPOSALS

In entering the Form SEC-887 information into the computer files for processing, EDA's Information Systems and Services Division (ISSD) encountered a number of problems attributable to the design of the form. Specifically:

1. A significant number of proposals either did not contain a "short title" for the project proposed or provided a response that was so vague as to be meaningless. Further, in those cases where a Title X proposal constituted a component of a larger project, there was confusion as to whether "project" should be interpreted as the component part or the larger effort. This problem can, in large measure, be attributed to the lack of instructions on the SEC-887 explaining what the short title was to reflect. An inadequate response to this item impacted on the "labor value" selection criterion (which required a short title and a description of the project work/labor skills involved for its derivation), as well as on EDA's

ability to understand what was being proposed. That is, except for the description of the project's work, the response to this question represented the applicant's only opportunity to describe what was being undertaken; if both the short title and the project work description responses were inadequate, it was impossible for EDA to know what was being proposed and to consider the proposal appropriately.

2. The second major problem encountered in proposal processing was that a significant amount of information -- specifically, standardized classification codes for 12 different categories of data -- had to be entered onto the SEC-887s by EDA personnel, based on information supplied by the applicants. In addition to simply requiring a large amount of personnel time and effort to make the appropriate entries, this problem was compounded by the fact that the data supplied by the applicants were frequently inaccurate or were so imprecise that it was very difficult or impossible to determine what the correct entry should be. (Efforts to identify proposals by SIC codes was one example of this.) This problem, too, appears to have been the result of inadequate instructions to the applicants regarding the information that would be needed by EDA to process the applications.
3. The final difficulty with the information on the SEC-887 related to the A-95 review procedure. To comply with the Title X legislation [Section 1003 (e)(4), which required that approved projects be consistent with locally approved plans], the SEC-887 included a question on whether the proposals had received an A-95 review. If no review had been conducted, respondents were asked to state what steps had been taken to insure the consistency of proposed projects with local plans.

This question created two problems. First, each project's response had to be individually reviewed and a determination made as to the adequacy of steps taken. (Because most of the projects had not had A-95 reviews, most required individual reviews.) Second, there was insufficient time to

certify that the stated measures were actually accomplished.* In practice, almost every explanation offered regarding A-95 or an alternative review was accepted; only those projects that had not received an A-95 review and for which no further explanation was offered were not ranked for funding consideration.

One additional major problem that surfaced during processing of the SEC-887s was the variation in unemployment data for a single area as supplied by project applicants. This problem was discovered only after most of the proposals had been entered into the data files and comparisons between the proposals were being made. As a result of this inaccurate information, EDA was forced to assume the additional task of determining the correct unemployment rate for all the areas represented by project proposals. This added requirement proved to be inordinately difficult to handle, however, because of problems experienced in obtaining unemployment data from the Department of Labor.

As was discussed in Chapter 2, EDA requested a listing of CETA unemployment information from the Department of Labor's Manpower Administration on February 7, 1975. This request was changed in mid-February to a list of eligible counties.** However, the data supplied by Labor (in late

* - This latter difficulty was not unique to this one question; it applied to all information supplied on the SEC-887. That is, the time pressures created by the emergency nature of the program did not allow EDA sufficient time to verify the data it received and to thereby insure that the best possible projects were selected and that the Title X legislation had been fully complied with.

** - EDA officials responsible for the Title X Program maintain that Department of Labor officials verbally agreed to supply EDA with such data. Efforts to contact the Department of Labor officials involved were unsuccessful, however, and thus the reason the data were not supplied is not known.

March 1975, and current as of December 1974) were for CETA areas. These data did not include the detailed geographic descriptions needed by EDA to determine which counties and census tracts fell within those areas and, thus, which areas had official unemployment rates in excess of 6.5 percent. (Detailed geographic information was supplied by Labor only at the end of May. At that time, because of the difficulty involved in trying to make use of the descriptions, much of the CETA information was unusable.)

An additional problem resulted from the fact that the unemployment rates provided by Labor were an average of the last three months of 1974. Because the first half of 1975 was a period of rapidly rising national unemployment, it was recognized that the data were significantly out of date when received and that their use in determining the level of need within an area could result in real inequities. That is, many areas where unemployment may have reached or exceeded 6.5 percent would not have been included on Labor's listing.

Consequently, to ensure that proposals could be considered on a uniform basis and that only proposals for eligible areas were considered, it was necessary for EDA to obtain local unemployment data on its own. This meant that EDA personnel had to telephone each of the 50 state employment security agencies to obtain the latest available unemployment data for each county in each state. Even as this effort was being undertaken, however, it was recognized that some inequalities would continue to exist as a result of the different reporting schedules used by the states. (Some states collect and process data on a monthly basis; other states process data on a quarterly basis and require longer lead times before making the data available.) Considering that unemployment levels were rising rapidly during this period, and that area unemployment rate was a selection criterion for which progressively higher points were assigned, proposals from states that reported monthly statistics had an advantage in the scoring and selection process over those from states that reported less frequently. (EDA's practice was to accept the most recent data each state could supply.)

Because the full impact of the employment rate problem was not known until the proposals were being processed, neither the design nor the administration of the SEC-887s reasonably can be held responsible. (In retrospect, however, EDA should not have attempted to use a questionnaire such

as the SEC-887 to obtain objective statistical data, particularly because the project applicants were competing with each other for limited funds.) What appears to have been at fault in this case was the lack of timely and detailed unemployment data, which were to have been provided by Labor. In consideration of this fact, some of the implications of trying to use CETA data for the Title X Program -- or for any quick-start countercyclical employment program -- should be pointed out.

- First, CETA data are processed on a quarterly basis, which does not reflect rapid changes. That is, by averaging data for a three-month period, a sharp upswing or downturn in the final month, which might be the first indication of a changing pattern, can be masked.
- Second, CETA data are not based on easily referenced geographical units; CETA areas can be almost any size, allowing the program to reach very small pockets of high unemployment. Thus, in using the data, each CETA area must be defined in explicit detail, and the location of each applicant for funds must be known in equally explicit detail in order to determine accurately if a project is being submitted on behalf of an eligible area.
- Third, at least in this case, the length of time required for Labor to make complete and usable data available to Commerce (four months) was unreasonable, particularly given the nature of the Title X Program. Considering the speed with which employment conditions can change during economic downturns, more timely data are needed for quick-start countercyclical programs.

DETERMINATION OF URBAN/RURAL BALANCE

After the projects had been ranked by the selection criteria, one final legislative requirement (Section 1006) remained to be applied -- assuring "that adequate consideration is given to the relative needs of applicants for assistance in rural eligible areas and the relative needs of applicants for assistance in urban eligible areas and to any equitable distribution of funds authorized under this title between rural and urban eligible applicants."

This requirement was directed at the actual distribution of Title X funds, as opposed to the consideration of project proposals; thus, it could be addressed only by examining the urban/rural balance of the proposed allocation to determine if the projects that had ranked high enough for funding represented the appropriate mix.* The task of defining the equitable balance between the urban and rural areas fell to EDA.

Initially, it was thought that a Title X distribution that reflected the urban/rural balance found by the U.S. Census would represent a fair distribution of funds. The most recent census showed that 70 percent of the population lived in urban (SMSA) areas, with the remaining 30 percent residing in rural (non-SMSA) areas. However, because Department of Labor statistics indicated that 60 percent of the unemployed population resided in urban areas, and the remaining 40 percent in rural areas, it was decided that an approximate 60/40 split of Title X funds would be "equitable."

When the urban/rural split of eligible proposals was first examined, however, it was found that 45 percent of the proposals represented urban areas and 55 percent represented rural areas. To achieve the desired balance, it was thus necessary for EDA to eliminate those rural projects having the lowest rankings and pick up the highest ranked urban projects from among the proposals that had failed to meet the initial allocation cut-off level. This process was facilitated by the fact that EDA, in an internal policy decision, had earlier decided to allocate only 85 percent of the available funds on the basis of ranking scores; the remaining 15 percent was to be used to compensate for any deficiencies in the distribution of projects selected on the basis of rank alone.

* - Such a review of the proposals was made possible by a code, entered on each proposal during the review process, that classified each proposal as urban, rural, or mixed. Mixed indicated that a project would affect both Standard Metropolitan Statistical Area (SMSA) counties and non-SMSA counties; all multi-county projects were classified as mixed when it was not possible to determine where the project would have its principal impact.

However, even after the 15 percent had been used, and urban projects had been substituted for rural projects wherever possible, a 58/42 urban/rural distribution was the best that could be obtained without including projects that did not satisfy the joint Commerce/Labor review criteria. At that point, it was decided to review the names of the counties included in the 4 percent of the funds allocated to "multi-county" projects. In doing so, it was found that approximately half the counties included in these projects were within SMSAs and the other half in non-SMSA (rural) areas. Thus the 60/40 split was achieved.

Additionally, before the allocations were announced, the Secretary of Commerce had decided that the distribution of Title X funds should be such that each state received a portion commensurate with its share of the unemployed population. The funding distribution established by the preliminary allocation was thus examined, and it was found to be equitable in this regard. Therefore, no further adjustments were necessary.

FUNDS ALLOCATION

With all processing completed on the project proposals, the only tasks remaining were determination of the allocation and the actual transfer of funds. Legislatively, these tasks were to be preceded by a joint review of the project proposals by the Secretaries of Commerce and Labor. However, in spite of repeated efforts on the part of the Assistant Secretary for Economic Development to involve Labor in the project review process, Labor indicated no desire to do so.

As a result Commerce, on May 28, 1975, forwarded to the Assistant Secretary of Labor for Manpower (who had been delegated working responsibility for Title X within the Department of Labor) a list of projects that Commerce had determined passed the screening criteria. The Assistant Secretary was asked to review the listing and confirm the acceptability of the proposals. Further, because the Assistant Secretary and his staff had already been given the opportunity to participate in the review and determination process, and because of the time constraints in moving toward allocation, verbal approval was requested by May 30, with written agreement and comments to follow. (Verbal confirmation was received by the time requested; written confirmation was received only on June 24, six days after the allocation had been made.)

On June 11, 1975, EDA had completed the Title X allocation, after considering approximately 1,200 proposals requesting over \$184 million in Title X funds. On that day, the proposed allocation, as well as the grant terms and conditions and a draft of a letter notifying the agencies of the allocation, was forwarded to the Office of the Secretary of Commerce for final approval.

In a memorandum that accompanied the allocation package to the Under Secretary, concern was expressed over the fact the Department of Commerce was to be allocated approximately \$54.2 million. (The Maritime Administration was to receive \$500,000, EDA \$32.6 million, and the Regional Commissions \$21.2 million.) The question posed was that, even if Commerce merited the allocation, did it "look good" and could it be justified?*

Consequently, much of the time between June 11, when the Under Secretary received the allocation package, and June 16, when the Secretary of Commerce approved the package, was spent justifying Commerce's allocation. In a June 13 memorandum accompanying submission of the package to the Secretary, the Under Secretary stated that he had asked EDA to prepare a "talking points" justification that could be used on an "if-asked" basis. On balance, however, while Commerce's allocation concerned the Office of the Secretary and extra steps were taken to insure that it was warranted, it was never seriously challenged. Overall, the Office of the Secretary expressed satisfaction with the job EDA had done.

On June 16, the Secretary of Commerce sent a letter to the Director of OMB informing him that the allocation had been made and including a detailed copy of the allocation. The allocation, which totalled \$121,267,211, was distributed among 26 departments, agencies, and regional commissions, and was expected to generate 27,300 jobs through 877 projects. (A breakdown of the first allocation, with the information updated as of October 1976, is provided in Table 3.) Of the remaining \$3.7 million of the appropriation, \$300,000 was set aside for administering the program, \$300,000 for evaluating the program, and \$3.1 million as a temporary reserve in case of project overruns or other unanticipated costs.

* - Memorandum from the Executive Assistant to the Under Secretary of Commerce to the Under Secretary of Commerce, June 11, 1975.

TABLE 3

FIRST ALLOCATION OF TITLE X FUNDS*

Agency	Number Of Projects (Percent Of Total)	Agency Title Obligation (Percent of Total)
Economic Development Administration	161 (18.3)	\$ 33,099,993 (26.7)
Ozarks Regional Commission	35 (4.0)	2,834,560 (2.3)
Upper Great Lakes Regional Commission	45 (5.1)	3,170,527 (2.6)
New England Regional Commission	8 (0.9)	3,228,509 (2.6)
Coastal Plains Regional Commission	37 (4.2)	2,286,060 (1.8)
Four Corners Regional Commission	27 (3.1)	2,804,174 (2.3)
Appalachian Regional Commission	6 (0.7)	881,600 (0.7)
Old West Regional Commission	17 (1.9)	986,992 (0.8)
Pacific Northwest Regional Commission	12 (1.4)	1,868,759 (1.5)
Stabilization and Conservation Service	1 (0.1)	50,494 (0.0)
Farmers Home Administration	13 (1.5)	2,648,000 (2.1)
Soil Conservation Service	68 (7.7)	10,998,507 (8.9)
U.S. Forest Service	113 (12.8)	14,157,635 (11.4)
General Services Administration	2 (0.2)	314,684 (0.3)
National Aeronautics and Space Administration	4 (0.5)	400,000 (0.3)
Energy Research and Development Administration	6 (0.7)	4,503,744 (3.6)
Veterans Administration	5 (0.6)	292,885 (0.2)
Health, Education and Welfare (Office of the Secretary)	3 (0.3)	700,000 (0.6)
Office of Education	3 (0.3)	650,000 (0.5)
Health Services and Mental Health	59 (6.7)	3,175,590 (2.6)
Food and Drug Administration	1 (0.1)	400,015 (0.3)
Center for Disease Control	4 (0.5)	498,560 (0.4)
Housing and Urban Development	24 (2.7)	6,527,000 (5.3)
Bureau of Outdoor Recreation	11 (1.3)	1,194,031 (1.0)
Fish and Wildlife Service	20 (2.3)	1,801,000 (1.5)
Bureau of Indian Affairs	49 (5.6)	2,118,875 (1.7)
U.S. Geological Survey	2 (0.2)	1,500,000 (1.2)
Bureau of Land Management	26 (3.0)	2,236,700 (1.8)
National Park Service	17 (1.9)	1,562,000 (1.3)
Manpower Administration - CETA	9 (1.0)	1,061,500 (0.9)
National Foundation on the Arts and Humanities	6 (0.7)	701,263 (0.6)
American Revolution Bicentennial Administration	17 (1.9)	1,934,734 (1.6)
Tennessee Valley Authority	41 (4.7)	2,466,000 (2.0)
Federal Railroad Administration	1 (0.1)	2,350,000 (1.9)

TABLE 3 (Continued)

Agency	Number Of Projects (Percent of Total)	Agency Title X Obligation (Percent of Total)
Department of the Air Force	5 (0.6)	990,000 (0.8)
Corps of Engineers	19 (2.2)	5,982,000 (4.8)
Department of the Navy	1 (0.1)	1,000,000 (0.8)
Maritime Administration	2 (0.2)	499,507 (0.4)
TOTAL	880	\$123,875,898

* - The discrepancy between the amount allocated on June 18 and what is shown above results from partial utilization of the amount held in reserve (but not required) for cost overruns for making supplementary allocations.

On June 18, a letter (dated June 17) was delivered to each agency listing the projects that had been approved for funding and the grant terms and conditions that would apply to the expenditure of the Title X funds. The actual transfer of funds was effected within a few days of the allocation announcement.

SUPPLEMENTARY ALLOCATION

On June 27, 1975, Congress approved the second appropriation (\$375 million) for the Title X Program. This amount included \$1.1 million for administration and evaluation of the program. Thus, the \$600,000 that EDA had set aside was no longer needed for these activities. Further, when anticipated cost overruns on the projects already funded failed to materialize by September, EDA decided that a supplementary allocation, funding additional Title X projects, should be made. The \$3.1 million that EDA had set aside for such overruns, added to the freed \$600,000, meant that EDA had \$3.7 million to be used in this supplementary funding. Thus, on August 18 and September 26, the Secretary of Commerce approved another 22 Title X projects, expending all but \$32,000 of the remaining funds.*

In selecting the projects to be funded under the supplementary allocation, EDA did not rely solely on the ranking scores of those projects not previously funded. Instead, while project rank was a consideration and the highest ranked projects were sought, the Assistant Secretary for Economic Development decided to rely principally on three additional criteria; namely, the projects funded were:

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- * - In collecting the data for this evaluation, it was learned that, although 22 projects totaling \$3,688,155 were itemized in the available documentation, 23 projects totaling \$3,701,000 were actually funded. As a result of project identification codes being changed, as well as changes in the amount of Title X funds requested on behalf of approved projects, it was not possible to identify the source(s) of the discrepancy. This problem was experienced in greater magnitude as supplementary allocations were made at the close of the program's authorization, as discussed at the end of Chapter 4.

1. Additional urban projects that would advance the intent of Section 1006 of the legislation.
2. Projects that earlier received a lower ranking than they deserved owing to erroneously reported unemployment rates.
3. Projects that earlier were ranked low because of the strict method used in estimating the skills available among the unemployed in the labor force of the project area (job match).

In addition, the agencies receiving the supplementary allocations were considered to be capable of acting on their proposed projects quickly. (The agencies receiving these allocations and the amounts they received are shown in Table 4.)

SUMMARY OF PROJECTS FUNDED DURING FIRST APPROPRIATION PERIOD

The distribution of the types of projects funded for the first appropriation is shown in Table 5, along with summary information on these project types. As is indicated in the table, 65 percent of all projects funded fall into Project Categories 3 (Forestry, Conservation, Recreation) and 4 (Maintenance, Rehabilitation, Renovation). Projects in Category 5 (Public and Social Service), while significantly fewer in number than those in Categories 3 and 4, have characteristics that distinguish them from the projects in these and all other categories. Specifically, the Category 5 projects:

- Are significantly more labor intensive than the other projects (92 percent versus 77 percent average for all projects).
- Have less than half the project cost per man-month than the average for all projects (\$408 versus \$852 average).
- Created jobs that lasted approximately 50 percent longer than the average for all projects (10.7 months versus 7 months average).
- Created almost three times as many man-months of employment than the average for all projects (610 man-months versus 215 man-months average).

TABLE 4
AGENCIES RECEIVING TITLE X FUNDS
UNDER FIRST SUPPLEMENTARY ALLOCATION

Agency	Amount Allocated	Number of Additional Projects
Economic Development Administration	\$1,924,500	11
Veterans Administration	159,938	3
Coastal Plains Regional Commission	137,500	2
New England Regional Commission	625,217	2
Four Corners Regional Commission	170,000	1
Appalachian Regional Commission	300,000	1
American Revolution Bicentennial Administration	101,000	1
Small Business Administration	<u>270,000</u>	<u>1</u>
Total	\$3,688,155	22

TABLE 5*
DISTRIBUTION OF PROJECTS FUNDED BY TYPE: FIRST APPROPRIATION

Project Categories	Title X Obligations as Percent of Total	Labor Intensity**	Project Cost Per Man-Month	Ratio: Title X Cost to Total Project Cost	Average Duration of Jobs Created	Average Total Project Cost	Average Number Man-Months Employment Generated
Project Category 1 - Building Construction: These projects involve construction of new structures or expansion of or addition to existing structures.	9%	63%	\$1,065	69%	6.7 months	\$201,911	190
Project Category 2 - Civil Works Construction: These projects involve construction of new civil works facilities, or expansion of or addition to existing facilities.	11%	79%	\$1,448	55%	6.5 months	\$287,370	199
Project Category 3 - Forestry, Conservation, Recreation: These projects generally involve little or no construction-type activities.	37%	78%	\$ 788	87%	7.0 months	\$152,484	193
Project Category 4 - Maintenance, Rehabilitation, Renovation: These projects involve the maintenance, rehabilitation, or repair of existing structures or facilities.	28%	73%	\$1,114	72%	5.2 months	\$161,277	145
Project Category 5 - Public and Social Service: These projects are highly labor intensive and involve public employment or the delivery of social services or training.	12%	92%	\$ 408	78%	10.7 months	\$249,104	610
Project Category 9 - All other projects not classified elsewhere.	2%	81%	\$ 990	80%	7.4 months	\$330,610	334
Average for all first appropriation projects		77%	\$ 852	75%	7.0 months	\$183,643	215

*It should be recognized that the data presented in this table are based primarily on estimates presented on project proposal forms. Given that proposing agencies were competing with one another for a limited amount of Title X funds, these data may reflect an aggregate tendency to exaggerate the benefits to be derived from the proposed projects.

**Labor cost divided by total project cost.

Although the public and social service type projects appear to be superior to the other categories in their impacts on unemployment, it will be recalled that EDA discouraged submission of proposals for these types of projects by excepting agencies proposing them from the April resurvey request.* In addition, the authors of the Title X Program made it clear that this program was to represent an alternative approach to relieving unemployment, contrasting it with the Department of Labor's CETA public service jobs program that was expanded in the same legislation that created Title X.**

It was as the result of changes made by the House and Senate conference committee that labor-intensive public service projects were favored in the ranking and selection process; thus, many were selected for funding. Moreover, although the summary statistics indicate that public service projects were superior in terms of cost per job created, the long-term job creation and development benefits deriving from the different project types cannot be readily or quickly summarized; thus, these characteristics do not appear on the table. In addition, the legislative history of the program strongly favored public works projects; the provisions favoring highly labor-intensive, public service projects were added in committee by Labor conferees (sponsors of the CETA public service jobs portions of the bill) and are not completely consistent with the purposes of the program.

* - See page 31.

** - See pages 6 through 8.

4 - SECOND APPROPRIATION PERIOD

On June 27, 1975, the President signed the Continuing Appropriations bill, which authorized \$375 million for Title X,* bringing the Job Opportunities Program up to its full \$500 million funding authorization for calendar year 1975. Work toward realizing this second appropriation had begun some four months earlier, during the March hearings of the Senate Subcommittee on Economic Development regarding the implementation of the initial phase of the Job Opportunities Program. At that time, Congress was giving strong consideration to making the additional \$375 million appropriation. At that same time, however, the Administration was continuing to oppose additional funding for Title X, favoring instead the creation of additional public service jobs.

The Administration's position was made known in a March 17 letter from the Secretary of Commerce to the Chairman of the Senate Appropriations Subcommittee for State, Justice, Commerce, the Judiciary, and Related Activities requesting that the appropriation not be made and that Title X's budget authority be deferred for the creation of public service type jobs. The rationale used by the Secretary was essentially the same as that stated by the President in signing the original Title X legislation. That is, that a public service jobs program:

- Applies a higher percentage of the dollars to wages than Title X of the Economic Development Act is likely to do.
- Can be effective more quickly than can Title X.
- Is more clearly an emergency program which can disappear when the emergency is over, than is Title X.**

* - This bill also authorized over \$1.6 billion for the creation of public service jobs through CETA's Title II and Title VI programs.

** - Letter from the Secretary of Commerce to the Chairman of the Subcommittee on State, Justice, Commerce, the Judiciary, and Related Agencies, Committee on Appropriations, March 17, 1975.

Congress, on the other hand, continued to maintain the position it had established when the Title X legislation was first approved; namely, that both public service and public works jobs programs were necessary. This was reflected in the introduction, on April 21, 1975, of the \$3 billion Emergency Employment Appropriation Act (H.R.4481), which encompassed both public service employment and the Job Opportunities Program, as well as several other job-creating provisions.

In the report accompanying the Emergency Employment Appropriation Act, the Committee on Appropriations stated that "...the end of objective of this type of program is public works type jobs and not public service type jobs which are funded in another chapter of this bill." The Committee also stressed that the Secretary of Commerce had the responsibility to allocate funds for the program, and that "...the role of the Secretary of Labor, in the joint determinations he makes with the Secretary of Commerce under Section 1003(e) [of the Title X legislation], is limited to certifying expeditiously that programs or projects meet the specified criteria." The Committee went on to specify that, "...the intent of the Senate in initiating the Title X program is that it is to be separate from CETA programs, that it is expressly under the leadership of the Secretary of Commerce, and that it ought not be delayed in implementation by involvement in the review phase with manpower programs of the Department of Labor, or any other Federal Department, Agency, Office or Bureau."*

The Emergency Employment Appropriation Act was passed by the Senate on May 16 and sent to the House of Representatives, where it was also approved. However, on May 29, the President vetoed the bill, stating that it would not be an effective response to unemployment and that "it would exacerbate both budgetary and economic pressures, and its chief impact would be felt long after our current unemployment problems are expected to subside."**

* - Senate Report 94-91, U.S. Congress, April 1975.

** - Press Release, Executive Office of the President, Office of the White House Press Secretary, May 29, 1975.

In addition, the President stated that the expenditures authorized by the bill would create too much stimulus for the economy.

Despite the President's veto of the Emergency Employment Appropriation Act, Congress continued to seek additional funding for Title X. On June 17, 1975, the House passed Continuing Appropriations, 1976 (H.J. Res. 499), included \$1.625 billion for public service jobs under CETA Title II and VI. The following day, the Senate Appropriations Committee reported the resolution out, and inserted an additional \$375 million for Title X. In the report accompanying the bill, the Committee on Appropriations stated that "the purpose of this jobs program is to provide short-term employment opportunities while constructing facilities of lasting value to the community. The Committee feels strongly that as long as the \$2 billion Labor-HEW Chapter (containing the CETA public service jobs provisions) of the vetoed jobs bill is being included in the resolution, the money for the Job Opportunities Program should also be included."*

On June 19, the Senate passed the amended Continuing Appropriations bill, with the House accepting the Senate's amendment on June 20. As noted earlier, the bill was signed into law by the President on June 27, 1975. What then remained was for OMB to apportion the funds to Commerce and thereby make them available for obligation. However, despite the emergency nature of the program, OMB did not make the funds available to Commerce until July 25.

During this period (June 27 to July 25), the only contact between OMB and Commerce was a request from OMB to Commerce, dated June 27, for written information detailing the criteria and procedures used in the final selection of projects funded under the first appropriation.**

* - Senate Report 94-201, U.S. Congress, June 1975.

** - Commerce's Acting Assistant Secretary for Administration responded in a July 22 letter, which detailed the entire first appropriation period.

As a result of this silence on OMB's part, EDA personnel maintain that EDA had no idea of what OMB's intentions for the appropriation were; several persons within the Office of the Secretary stated that it was commonly believed within Commerce that OMB was preparing a second rescission request.

Considering that Congress had not supported OMB's previous proposal to rescind the \$125 million appropriation, that it had retrieved the \$375 million appropriation from a vetoed bill, and that the ensuing bill had been passed by both Houses, the rationale OMB might have used in supporting such a request is not clear. That is, while a proposal for rescission could have delayed obligation by at least 45 days, it is not likely that Congress would have supported a rescission request had one been sought. The impression held by Commerce and EDA is even more difficult to understand in light of a statement reportedly made by the President in signing the Continuing Appropriations bill that he intended to spend the appropriation for Title X in hopes of reducing congressional interest in reviving the vetoed Emergency Employment Appropriation Act.

In discussing this issue with a former OMB official, he stated that he could not understand why Commerce and EDA believed OMB was preparing a rescission request. In fact, according to this individual, OMB assumed from the beginning that apportionment would take place. Contrary to what Commerce/EDA personnel maintain, this individual also stated that OMB and the Office of the Secretary began discussing changes in the allocation procedure immediately after the President signed the bill.

When asked why apportionment was delayed until July 25, the OMB official stated that the President was too busy to make a decision until then. In addition, because the amount Congress appropriated exceeded the President's request for that program, OMB was required to complete a special review of the appropriation. However, this had to be done at a time when OMB was busy with a large number of other appropriations, and, consequently, OMB was not able to complete the review until late in the 30-day period.

No explanation was presented to account for why key personnel within EDA or the representatives of the Office of the Secretary interviewed for this study were not aware of OMB's intentions and activities as explained by the

former OMB official. Commerce's former Assistant Secretary for Administration and EDA's Title X Coordinator both stated that, as a result of not knowing OMB's intentions regarding apportionment, comparatively little preparation for administering the second appropriation was carried out prior to apportionment, resulting in some otherwise unnecessary delays in allocating the funds. In fact, the only activity carried out by EDA during the pre-appropriation period was the redesign of Form SEC-887 to facilitate processing and standardize descriptive language for computer use.* Instead, EDA concentrated on ironing out start-up difficulties with projects funded by the first appropriation.

After July 25, however, a number of activities were carried out in moving toward the second allocation. Most importantly, the Office of the Secretary of Commerce and OMB reached a new agreement regarding program authority and revised the project selection criteria and related allocation procedures, and the Departments of Commerce and Labor instituted some revisions in the project review criteria. These changes, as well as difficulties experienced in processing the project applications and the actual allocation of funds, are discussed in the remainder of this chapter.

CHANGES IN PROGRAM ADMINISTRATION

Immediately following the second appropriation, discussions on a number of changes affecting administration of the Title X Program were initiated between Commerce and OMB. These discussions, as is described below, focused on three areas:

- Authority for the program.
- The procedures used for ranking and selecting project proposals.
- The use of planning ranges.

* - A copy of the revised Form SEC-887 is provided as Appendix G to this report.

Further, as the result of discussions between the Departments of Commerce and Labor, some modifications were introduced in the review criteria that formed the basis for the manual screening of proposals.

Change in Program Authority

On July 25, the day of apportionment, representatives of OMB met with Commerce personnel to discuss a number of issues related to the administration of the second appropriation. (No representatives of EDA were invited to attend this meeting.) Among the issues discussed was project approval authority.

At the time of the second appropriation, the Office of the Secretary had decided that project approval authority for Title X should be placed with the Assistant Secretary for Economic Development. According to Commerce personnel familiar with the decision, the Office of the Secretary had found retaining approval authority over the first allocation to be unduly burdensome, especially in regard to reviewing the proposed projects. Further, because of manpower and time limitations, the proposal review conducted by this office for the first allocation was largely pro forma, the real decision making having already been accomplished by EDA. The office was therefore convinced that approval authority for the second allocation appropriately belong with EDA, especially since considerably more projects would probably be involved.

OMB, according to Department of Commerce personnel, had two principal objections to the proposed transfer of project approval authority.

- First, if the Secretary retained approval authority, OMB would have some influence over project selection, whereas, if authority were delegated, OMB would not enjoy the same degree of influence.
- Second, if EDA had project approval authority, OMB felt that the Agency would not be objective in its selections, and would favor its own projects. This objection was believed by Commerce personnel to derive from a more fundamental

concern of OMB; namely, that Title X projects should be more labor intensive, and that EDA's public works projects could not satisfy this goal.*

In spite of these objections, Commerce decided to revise EDA's Organizational Order to delete the special exception regarding approval authority that earlier had been made for Title X.** OMB agreed not to oppose this delegation of authority only after the Office of the Secretary agreed to maintain close supervision over EDA's proposed allocation of funds. In support of this, the Secretary of Commerce informed the Assistant Secretary for Economic Development that:

I wish to reiterate that prior to my final approval of Title X project awards to the various agencies, the projects should be reviewed by the Assistant Secretary for Administration to insure complete compliance with OMB guidelines.***

Although this message raises the question of specifically what OMB guidelines were being referred to, it is apparent that the Office of the Secretary was still attempting to maintain oversight of the program.

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- * - This preference of OMB and the Administration, as evidenced in the President's message accompanying the initial Title X bill and subsequent deferral request, was openly stated by a former OMB official in a personal interview carried out during this evaluation. It is evidenced also in changes in ranking criteria and types of projects that OMB wished to see supported, as discussed later in this chapter.
 - ** - Although the decision to revise the Organizational Order was made in July, the revised order (10-4) was not issued until September 30, 1975. Thus, the Secretary of Commerce formally retained authority over the program until that time.
 - *** - Letter from the Secretary of Commerce to the Assistant Secretary for Economic Development, September 18, 1975.

When this issue of project approval authority was raised with the former OMB official interviewed, his statements again were inconsistent with statements made by persons in the Office of the Secretary. The OMB representative said that, not only did OMB not care that EDA was to have the authority, but OMB did not know that such a choice had been made. He also stated that, when OMB learned of the Secretary's decision, its reaction was one of indifference, considering that, because of its application processing and ranking duties, EDA had had meaningful responsibility for the first appropriation as well.* There was no explanation, however, for the inconsistency between this individual's statements and those of persons interviewed from the Office of the Secretary.

Changes in the Project Selection Process

The second major area of change discussed at the July 25 OMB/Commerce meeting was the ranking scheme used in project selection. Further, OMB introduced a new criterion -- acceleration -- into the selection process.

OMB's Proposal: At the July 25 meeting, OMB presented a go/no-go paper in which it stated that EDA had disbursed the first allocation "...on the basis of an unnecessarily complex set of criteria...which resulted in some strange allocations."**

Although OMB stated that it had no argument with giving a 25 percent weight to the unemployment rate, it did not agree with the other criteria. "First, labor match, labor intensity, leverage and cost effectiveness all are different ways of trying to measure the cost of creating employment for an otherwise unemployed resident of an eligible area." In place of these, OMB proposed

* - Personal interview with former OMB official, July 9, 1976.

** - "Go/No-Go Paper," prepared by the Office of Management and Budget, July 1975. This paper was, for the most part, little more than a copy of OMB's April 1975 "Go/No-Go Paper," which had been rejected when the selection criteria for the first appropriation were being established.

using "the more simple measure of the Title X cost of creating a man-year of employment for (an) otherwise unemployed resident of an eligible area," which would, by itself, "properly measure labor match, labor intensity, and leverage." In further criticism of EDA's approach, the indirect benefits criterion was cited as "not appropriate for prioritizing projects" because it was impossible to measure objectively.*

In place of the criteria that EDA had used in making the first allocation, OMB proposed assigning a 25 percent score to "unemployment rate" and a 75 percent score to the "Title X cost of creating a man-year of employment for an otherwise unemployed resident of an eligible area." It was OMB's opinion that, what it termed the "relatively low weight" given to the unemployment rate was considered justified by the additional criteria that projects submitted from areas having unemployment rates of less than 6.5 percent would not be eligible for funding. (The 6.5 percent cutoff was rejected by Commerce, however, on the grounds that it was contrary to the contents of the law, which made EDA-designated redevelopment areas eligible regardless of unemployment rate.) OMB also proposed excluding those projects for which the average cost of creating a man-year of employment exceeded \$15,000.

The only characteristic of OMB's proposal that distinguished it from the earlier go/no-go concept was OMB's position that the activities to be considered for funding had to accelerate or expand activities for which the President had already requested funding. OMB's rationale for using this criterion was two-fold:

1. By selecting programs or projects which would have been undertaken in any event, we can be relatively confident that we will get useful results from the Title X funds.
2. This would mean that to a large extent Title X funds could be used to avoid the need to request additional funds for certain programs in

* - "Go/No-Go Paper," prepared by the Office of Management and Budget, July 1975.

the next year or so. This would help us in what will be a very difficult problem of holding down Federal spending during 1976 and 1977.*

In line with the second rationale, OMB stated that agencies should be instructed to review their program plans so as to identify opportunities for removing or reducing the need for funds in the future. "In other words, we should not be building up the base of a program, or funding pork barrel projects which will do nothing to remove the need for additional resources in the future. This would probably mean that very little or no additional funding would go for new EDA or Regional Commission projects which would in no way reduce the demand for these programs in the future."**

For implementation of its recommended acceleration criterion, OMB stated that more top-down identification of projects would be needed, with less reliance placed on suggestions coming from the bottom up. OMB also stated that it was prepared to work closely with Commerce and the agencies to help identify acceleration projects. Further, OMB recommended that the planning ranges previously established for submitting agencies not be used, since OMB anticipated that a relatively limited number of agencies would have most of the acceleration opportunities, while many would have none.

Commerce's Position: The Office of the Secretary did not consider that the "25 percent unemployment/75 percent cost per man/year" ranking criteria proposed by OMB adequately represented the requirements of Title X, and made this opinion known to OMB. The only opinion this office expressed concerning OMB's proposed use of acceleration was that new projects, which might not be ongoing or otherwise fit the definition of

* - "Go/No-Go Paper," prepared by the Office of Management and Budget, July 1975.

** - "Go/No-Go Paper," prepared by the Office of Management and Budget, July 1975

acceleration, should continue to be given funding consideration.

EDA had a much stronger opinion concerning acceleration, as well as on the issue of changing the ranking criteria. Briefly stated, EDA considered OMB's acceleration proposal to be a subversion of the intent of Title X and an attempt to illegally impound other agencies' program funds. Although EDA did not wish to be associated with either of these purposes, it did agree that asking agencies to propose projects that could be quickly accelerated or expanded was acceptable in the interest of expeditious project implementation. However, EDA did not agree that such proposals should be the only ones considered or that the future budgets of the submitting agencies should be reduced by the amount of Title X funds they received; rather, the Agency believed that, by enacting Title X, Congress intended that there be a net increase in Federal expenditure to combat high unemployment.

Regarding the ranking criteria, EDA agreed that the ranking formula could be modified to provide additional weight to the cost of creating a job. The Agency was convinced, however, that the contents of the Act and its legislative history required consideration of the remaining two legislative factors and the two discretionary factors that OMB's proposal only implicitly addressed. These opinions were subsequently expressed in conversations with the Office of the Secretary and OMB.

Resolution: The Office of the Secretary and OMB did not reach agreement on project selection guidelines until mid-August, more than 20 days after the funds had been apportioned. The debate likely would have been extended further had Commerce not taken the position that, by not compromising with OMB, it was cutting short the time it would have to allocate and disburse funds. Because Title X's authorization expired on December 31, 1975, all grants to agencies and departments had to be obligated by that date, or the funds would be returned to the Treasury. Considering that, on the basis of the experience with the first appropriation, a minimum of two months had to be allowed for the submission and processing of proposals, Commerce made several concessions to OMB in order to begin administering the appropriation.

The Office of the Secretary did convince OMB that new, non-accelerated projects should be considered for

Title X funding. As a concession to OMB, however, Commerce agreed to modify the ranking criteria to include points for the acceleration factor. Commerce's rationale for this position was that preplanned or ongoing projects could be gotten underway quickly and expeditiously, and would therefore further the objectives of Title X. After considerable debate between Commerce and OMB on the weight to be assigned to acceleration, it was given 25 points out of a modified possible total score of 125 points. (For the first appropriation, the maximum possible point score had been 100.)

The Office of the Secretary and EDA were adamant, however, in their opposition to OMB's proposal that agencies receiving Title X funds for accelerated projects would receive reduced Federal allocations in subsequent funding periods. Both stated that OMB would have to take complete responsibility for this use of the acceleration criterion.

In addition, both EDA and the Office of the Secretary stated that they did not have the resources to verify the agency responses regarding acceleration; therefore, if OMB wished that these responses be checked, it would have to do so itself. OMB indicated its willingness to assume this responsibility, and went a step further by offering to assist the agencies in selecting and developing candidate projects. OMB was to notify Commerce directly of the projects it selected.*

The result of the agreement reached between Commerce and OMB regarding the acceleration issue was summarized in a letter from the Secretary of Commerce to applicant agencies informing them of Title X's continuation. (It was agreed by Commerce and OMB that OMB would prepare those portions of the letter, as well as of the survey form, dealing with acceleration.) In this letter, acceleration -- termed "indirect benefit" -- was described as being based on whether a proposed project had been

* - It should be pointed out that, in accepting OMB's offer to perform these tasks, the Office of the Secretary gave OMB a discretionary function that had been performed by EDA during the first appropriation's allocation; namely, that of issuing informal guidance to the submitting agencies.

carefully reviewed as an ongoing or planned FY 1977 program. The criteria for identifying potential projects were presented as follows:

We are particularly interested in receiving projects which accelerate on-going activities or those currently planned for FY 1977. These activities have already been carefully reviewed by your agency and found to have merit in terms of your agency's mission. Their selection, therefore, would be in keeping with an efficient utilization of Federal funds.*

The instructions to the agencies further emphasized that acceleration projects were being sought by saying that, "in reviewing your programs and projects for potential jobs creating opportunities, you should identify projects which:

- (1) Accelerate currently planned or on-going activities;
- (2) Advance other activities otherwise planned for FY 1977 or later; or
- (3) Could be undertaken within your statutory authority.**

Not spelled out in the letter -- which stated that indirect benefits carried a maximum score of 25 points -- but

* - Letter from the Secretary of Commerce to Federal departments, agencies, and regional commissions requesting project proposals for the second allocation, August 18, 1975.

** - Letter from the Secretary of Commerce to Federal departments, agencies, and regional commissions requesting project proposals for the second allocation, August 18, 1975.

apparent from a question on the Form SEC-887, was that the possible scores for this criterion were either 0 or 25 points.*

At Commerce's insistence, the three legislatively derived criteria and their policy weights used in the administration of the first allocation were retained for the second allocation. The policy weights assigned to the three discretionary criteria, however, were substantially altered.

As was indicated in OMB's proposal for administering the second allocation, OMB wished to see greater emphasis placed on the Title X cost of creating a man-year of employment. When Commerce refused to displace the three legislative criteria, the value to be placed on the discretionary "cost effectiveness" criterion (included for the first allocation at OMB's request) became a subject of debate. Commerce's position, as previously stated, was that the policy weights for all criteria be kept the same as for the first allocation (with cost effectiveness receiving 5 points out of 100). OMB wished to see the leverage and long-term employment** discretionary criteria eliminated, with the cost effectiveness criterion assuming their values of 10 points each. This would give cost effectiveness a total of 25 points.

* - This scoring was stated in the rules and regulations published in the Federal Register. However, these rules and regulations were not published until September 22, which was one week after the agencies were have to returned their project proposals to Commerce.

** - It should be noted that, for the first allocation, the long-term employment criterion had been termed "indirect benefit."

The compromise finally reached was that cost effectiveness would receive 10 additional points, while long-term employment and leverage would be reduced to 5 points each.*

Change in Use of Planning Ranges

The final item of discussion between OMB and Commerce concerned whether EDA would formulate planning ranges for each agency's submissions. It was EDA's position that, given the demonstrated demand for Title X funds evidenced by the number of proposals submitted in response to the first appropriation (when only \$125 million was available), the potential for project submissions now that the agencies were familiar with the program and substantially more money was available would be tremendous. EDA feared that, without planning ranges, it would be overloaded with proposals to the point of not being able to review and process the applications in a timely manner. EDA also believed that, by implying an upper limit on each agency's allocation, projects having only minimal value that might otherwise be submitted would be withheld, saving administrative effort.

OMB's perspective on the issue was the same as it had been for the first allocation; namely, that there should be no planning ranges and that the greatest possible number of proposals should be sought. The rationale for this position was that, by encouraging a large number of sub-

* - Commerce and OMB apparently fought hard on behalf of their respective opinions, as is indicated by the fact that at least eight different versions of the letter to the agencies indicating the point values are contained in EDA's files. These iterations began with a letter prepared by EDA in mid-July in preparation for a July 25 apportionment, and ended with the final version on August 18. Each letter specifies different point values for the various selection/ranking criteria. In the final version (dated August 18), which OMB had rewritten from an August 14 draft prepared by EDA, OMB increased the point value of the acceleration criterion from 20 to 25 points.

missions, competition among agencies to submit good proposals would be increased, thus also increasing the likelihood of funding only the most worthwhile projects.*

Unlike the first appropriation, when the Office of the Secretary supported EDA's position concerning planning ranges, it this time supported OMB's position. Consequently, planning ranges were not used. However, partially to allay EDA's fears concerning the number of submissions, it was agreed that submitting agencies were to be cautioned to impose their own restraints on submissions.

As a supplement to the self-imposed limits, EDA decided that, if it reduced the number of project evaluation forms it made available to the agencies, it would also reduce the number of proposals submitted. And although locally reproduced forms were acceptable for submitting applications, EDA believed that the extra agency effort involved in reproducing the forms would help limit the number of proposals it would receive.

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- * - Although OMB's stated rationale for opposing planning ranges was to encourage selection of the most effective projects, several EDA administrators have offered the opinion that this was actually an effort to discredit the program and EDA. That is, by opening the doors on proposal submissions, EDA would be unable to efficiently process and rank the volume of forms received. More importantly, however, the large number of proposals that would necessarily be left unselected and unfunded after the available funds were allocated would generate widespread negative feelings about the Title X Program and EDA. Although this did occur, a more significant consequence was that pressure was generated for similar EDA special program funds, one example being the Local Public Works Capital Development and Investment Program, funded at its full authorization of \$2 billion in August of 1976 and for which funds were allocated by EDA late in the same year. Therefore, if discrediting the Title X Program and EDA was part of OMB's rationale in eliminating planning ranges, it was not effective in doing so and, in fact, had exactly the opposite effect.

Thus, EDA initially requested printing of only 2,500 forms for the second allocation, in contrast to the 5,000 forms printed for the first allocation when over 1,200 applications were received. This action, it was hoped, would result in submission of between 3,000 and 4,000 proposals. (In fact, the submitting agencies immediately pressured EDA into printing an additional 2,500 forms, and literally thousands of locally reproduced forms were also submitted, for a total submission of 9,600. In discussing the problems that resulted from having to process such a large volume of proposals, Commerce's former Assistant Secretary for Administration stated that, in facing the same decision again, he would favor the use of planning ranges.)

Changes in Project Review Criteria

After the differences between OMB and Commerce regarding administration of the second appropriation had been resolved, only one final administrative issue remained to be addressed -- the project review criteria that were to be jointly developed by the Departments of Commerce and Labor. Unlike the experience of the first appropriation, however, when discussion over these criteria continued over a period of several months, agreement was this time reached as the result of only one meeting between staff personnel of the two departments. At this meeting, it was agreed that two changes would be made:

1. If a project did not meet the joint review criteria, but the Secretary of Commerce believed that it would contribute substantially to reducing unemployment in an area, the project proposal would be referred to the Secretary of Labor for concurrence with the Secretary of Commerce's decision.
2. With regard to the requirement that a project begin employment within 120 days of being funded, construction projects experiencing weather-related delays were given additional time, provided that employment began at the earliest possible date.

On August 22, the review criteria were transmitted by the Assistant Secretary for Economic Development to the Assistant Secretary for Manpower for review and approval. On September 10, the Assistant Secretary for Manpower accepted the criteria. In his response, he also observed that the revised Form SEC-887 (also provided for

his review) did not contain a question related to the percentage of persons from the unemployed population that would be employed by the proposed project. Because one of the review criteria agreed upon earlier was that 80 percent of the persons employed on Title X projects be from the unemployed population, the observation was significant.

EDA; in investigating this finding, discovered that the question had been accidentally omitted when the form was revised. EDA subsequently proposed that, because the letter from the Secretary of Commerce to the agencies (accompanying the SEC-887) stated that the agencies were required to hire unemployed workers, and because 2,500 of the forms had already been printed, the oversight not be corrected. The Assistant Secretary for Manpower agreed with this proposal.

PROBLEMS IN PROPOSAL PROCESSING

As noted earlier, the letter from the Secretary of Commerce to the departments, agencies, and regional commissions was signed on August 18, 1975. This letter again contained a basic statement of the Title X Program, its goals, and the necessary project characteristics. Further, the letter cautioned the agencies not to request financial assistance for more projects than their current staffs could administer and to establish their own maximum level of submissions, bearing in mind that "many other agencies are also submitting recommendations, and it is likely that no single agency will receive an inordinate portion of the funds available."* A profile of the projects selected for the first allocation was provided to assist applicants in screening and selecting projects for submission, as were the ranking factors and point values to be applied.

The time schedule set forth in the letter called for submission of the SEC-887s no later than September 15. Commerce was to review the forms, select the approved projects, and transfer the funds to the sponsoring agencies not later than October 15. The applicants were also informed that all Title X funds were to be obligated by December 31, 1975.

* - Letter from the Secretary of Commerce to Federal departments, agencies, and regional commissions requesting project proposals for the second allocation, August 18, 1975. (A copy of this letter is provided as Appendix H to this report.)

EDA began receiving the completed project applications on September 12, and all proposals were received by September 15. Thus, it was possible for the Title X Coordinator and his three assistants to begin reviewing the proposals immediately.* After a preliminary screening, which encompassed a limited number of applications from each agency to insure general compliance with Title X regulations, the proposals were forwarded to EDA's Information Systems and Services Division for keypunching. Of immediate concern to EDA was the fact that between 3,000 and 4,000 proposals were expected and 9,611 (requesting a total of \$3.3 billion) were received. The volume alone resulted in some problems in processing the proposals. Additionally, four major problems were experienced in proposal processing, as discussed in the following sections:

- Virtually all proposals contained errors that required their being returned to the submitting agencies.
- The difficulties present in the first allocation in ascertaining area unemployment rates again surfaced.
- A procedural change introduced by EDA in project ranking mandated that additional steps be taken to carry out this activity.
- It was virtually impossible for EDA to verify responses to the OMB-introduced acceleration question, and OMB was able to provide little assistance in this regard.

Errors in Applications

EDA employed a specially designed computer program to identify errors in the applications (e.g, missing data

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- * - Although three professional staff members and one clerical assistant were assigned to assist the Title X Coordinator during administration of the second appropriation, variations in the length of their assignments were such that three was the maximum number of additional workers available at any given time.

elements, logically inconsistent or incorrect entries). Through the use of this program, it was discovered that all but five of the 9,611 applications had to be returned for correction.* Although not all of the errors identified were critical -- i.e., would prohibit ranking of the proposals -- the corrections were needed for EDA to have a complete understanding of the proposed projects. EDA recognized that making such a comprehensive effort to identify errors in project applications would delay final allocation. However, to avoid a situation in which deserving projects were not funded as a result of simple oversights -- and considering the time constraints imposed on the agencies in preparing their submissions -- EDA considered it essential that agencies be given a second opportunity to insure the accuracy of their applications before funding decisions were made.

Most agencies were able to return their applications in compliance with EDA's specifications. However, although several extra days were allowed for accepting corrected proposals, four agencies -- the Department of the Interior,

* - Each agency was supplied with an error listing along with the returned proposals and was asked to make corrections and return the applications to EDA within five working days. In addition, in the interest of time and to cut down on EDA's manpower requirements in processing the resubmitted applications, each agency was requested to submit its corrections on keypunched cards.

the Maritime Administration, the National Science Foundation, and the Smithsonian Institution -- were unable to return all of their proposals in time for them to be considered for ranking.* Although these agencies stand out with respect to their inability to correct their proposals in time for ranking, even those agencies that did submit their corrections on time continued to evidence errors in their proposals. In all, 2,340 of the approximately 9,600 proposals finally submitted did not include information necessary for review (generally related to the A-95 review or equivalent procedure) or ranking, and could not be considered for funding.

Problems in Verifying Area Unemployment Rates

As was the case for the first appropriation, different project applicants from the same geographic/political subdivision supplied different unemployment rate information on their project application forms. And as was also the case for the first appropriation, the CETA unemployment rates supplied by Labor's Manpower Administration generally were of little value in establishing uniform rates for proposal ranking because they were not for standardized areas (i.e., complete counties or states) and were four to five months old when EDA received them.

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- * - The Title X Coordinator was able to learn of the proposal resubmission problems of only the Department of the Interior. Specifically, this agency was unable to distribute its returned proposals to its submitting subdivisions in time to make corrections and return the forms to EDA. Regarding the other three agencies, EDA's Title X Coordinator stated that he experienced difficulty in identifying and locating the Title X contact person responsible for these agencies' proposals; thus, he could not determine the nature of their problems in resubmitting the proposals. Considering that each agency had been required to furnish the name, address, and telephone number of an official responsible for each project, EDA's difficulty in contacting these individuals implies that the internal measures taken by these agencies to coordinate their submissions were insufficient.

Thus, EDA personnel again had to telephone state employment security agencies to obtain state and county unemployment data that could be used to establish uniform unemployment rates. Only for those cases where the CETA data were applicable and represented the most recent data available were they used over the state-supplied information. However, such cases were few.

Procedural Problems In Ranking Proposals

In addition to the changes in ranking criteria introduced by OMB for the second allocation, EDA modified the ranking process to make it more sophisticated than that originally used. That is, instead of using histograms to display the distributions of values for each ranking criterion and then assigning point values for classes of raw scores, a technique of normalization was used. For each criterion involved, this entailed calculating a mean value of the observed scores, which was then subtracted from the respective individual scores of each project. Each resultant number was then divided by that criterion's standard deviation, yielding a normalized score. This procedure was repeated for each of the six ranking criteria for each proposal ranked. The principal reason for using this technique was to allow the scores assigned to each ranking criterion to be effectively aggregated into a total, even though the individual scores were not measured in comparable units.*

Once each project's ranking information had been normalized for each selection criterion, normalized scores were then multiplied by their respective policy weights. (As had been agreed by OMB and Commerce during their discussions on ranking, these weights were: unemployment rate - 5; labor match - 5; labor intensity - 5; leverage - 1; long-term employment - 1; and cost effectiveness - 3.) The weighted, normalized scores were then summed to provide a total score for each project. Since individually

* - For instance, the measurement scale for determining cost per man-month is very different from that used in determining unemployment rate; normalization transforms different scale ratings to standard scores. That is, by spreading individual values for each criterion around that criterion's average value, the scores obtained for each criterion can be summed and properly used for ranking projects.

normalized components, when aggregated, result in a non-normal distribution, it was necessary to renormalize the resulting total scores.

All of the proposals were then ranked according to their scores, and the point in the ranking at which all available funds would be expended was indicated. The aggregate composition of the projects ranking high enough to be fundable was then examined to determine its degree of compliance with both legislative and policy guidelines. (Projects that initially ranked within the available funds received "Select Code" designations of "1," projects that fell below the funding cutoff received designations of "9.") As the make-up of those projects ranked high enough for funding was examined, however, it was found that the use of the acceleration criterion resulted in problems affecting ranking as discussed below.

Problems Related to Use of Acceleration Code

The major problem related to the use of the acceleration code was that 1,243 of the 1,248 Select Code-1 projects later selected had claimed to be "accelerated." Further, about 95 percent of the approximately 7,300 proposals that passed the initial screening claimed that the projects were accelerated. Because it had been anticipated that only about 20 percent of the proposals would be so designated, EDA's Title X staff investigated the use of this factor with representatives of the submitting agencies.

EDA's Findings: In discussing the findings of his review, EDA's Title X Coordinator expressed the opinion that most of the departments and agencies and all of the regional commissions had carefully applied the acceleration criterion. Concerning the remaining departments and agencies, however, the following determinations were made:

1. In most cases, the SEC-887, which was designated as a documentation and summary of the proposing agency's findings about proposals, was filled out by the grant applicant, not the Federal agency (as intended). In some cases, the form had been signed by the local officials, not the Federal officials. (Federal endorsements were needed to consider the projects.)

2. The agencies, due to lack of time, staff or inclination, simply reviewed the proposals to determine their legality.
3. No substantive evaluation of the nature and intent of the proposals was made.
4. All projects received were forwarded to the Secretary of Commerce. There was no priority setting or determination of which, if any, would be projects that the proposing Department or agency was "accelerating."*

As a result of indications that some agencies had made indiscriminate use of the acceleration factor to gain an additional 25 points for their proposals, the Title X Coordinator recommended that several agencies not be given credit for acceleration as claimed: namely, the Department of Health, Education, and Welfare; the Department of Housing and Urban Development (except for housing management projects); the Law Enforcement Assistance Administration; the Department of Agriculture (except for projects submitted by the Forest Service and the Soil Conservation Service); the Department of Labor; and the American Revolution Bicentennial Administration.

Implicit in these findings, at least for the agencies found not to have been selective in claiming acceleration, was that OMB, which had earlier agreed to identify appropriate acceleration projects, had not done so. Moreover, when Title X staff contacted coordinators from the various departments and agencies concerning acceleration claims, it was learned that none of them was aware of any effort on OMB's part to identify such projects. Further, although OMB was to have notified Commerce directly of projects so identified, EDA was never made aware of such projects, nor did OMB make any effort to verify the validity of acceleration claims on submitted proposals as it had also agreed to do.

* - "Memorandum for the Record," prepared by the EDA Title X Coordinator, October 1, 1975.

OMB's Position: In explaining why OMB did not fulfill its agreements with Commerce/EDA, the former OMB official interviewed stated that, as a practical matter, OMB's staff was not capable of a massive top-down effort to identify appropriate projects.* In addition, it was impossible for OMB to verify the statements of the 7,300 proposals claiming the acceleration credit.

The OMB representative stated that OMB had originally estimated that, provided the departments and agencies applied the criterion properly, only 20 percent of the submissions would claim acceleration, a number that OMB's staff could have handled. Moreover, while top-down identification of projects had not been feasible, OMB did identify some project areas (as opposed to specific projects) that contained potential projects suitable for Title X funding. Although the criteria of the Title X Act were not considered when these areas were identified (it was assumed that the normal ranking criteria would determine their suitability under the Act), the areas were known to be part of programs for which the Administration would request new funding. Specifically mentioned were project areas within the National Aeronautics and Space Administration, the Energy Research and Development Administration, the Department of the Interior, and the Small Business Administration.

Concerning OMB's not directly informing Commerce of potential projects it identified, the former OMB official stated that, instead, after OMB examiners identified project areas consistent with OMB's proposal for acceleration, agencies were asked to submit proposals to EDA for projects within those areas.

* - Personal interview with former OMB official, July 9, 1976.

OMB personnel then took no further role in the project selection process, leaving this responsibility to EDA and the proposal ranking process.*/**

Outcome: Overall, the inability to verify acceleration claims created an issue that took a comparatively large amount of time to resolve. Specifically, regardless of the fact that some agencies were conscientious in applying this criterion and others were not, the only way to fairly deny any claim for the credit was to examine the claims of each proposal against its agency's plans. As was previously stated, time constraints precluded this possibility.

Had this resolution been attempted, it would have been complicated by the ambiguous phrasing of the question to which applicants responded. That is, from reading the question as stated on the Form SEC-887, as well as the pertinent sections of the accompanying letter, applicants could honestly have responded to one or both parts of what OMB had made a two-part question.

In response to the first half of the question (Does this project accelerate an on-going or planned activity...), applicants could fairly answer "yes," even though the project may have had an extremely low priority, with only minimal preliminary planning having been accomplished. The second half of the question (...or advance an ac-

* - Although EDA's Title X Coordinator generally confirmed the assertion of the former OMB official, he stated that OMB made an exception to this rule in the case of a NASA proposal to construct a tourist facility in Florida. As a result of OMB's interest in the project, it was funded for \$3 million, making it the most expensive and the lowest ranked project in the second allocation. (In later supplementary allocations made to consume the reserve allowed for project cost overruns, two lower ranked projects were introduced -- one another NASA project, and the other from the Office of Minority Business Enterprise.)

** - Personal interview with former OMB official, July 9, 1976.

tivity otherwise planned for Fiscal Year 1977?), while more closely reflecting the objectives of reducing future expenditures and distinguishing well-formed projects, is not closely tied to the first half. Therefore, a proposal could comply with either the loosely defined first part of the question, the more tightly defined second part, or both, and the appropriate answer could be the same -- "yes." Without rephrasing the question and resubmitting it to the responding agencies, verification of responses to eliminate those that were incorrect would have been a futile exercise, given the purpose of the question.

After EDA, the Office of the Secretary, and OMB gave considerable discussion to selectively allowing different agencies' projects to receive credit for the criterion and disallowing others, and after examining the various effects of such practices on the distribution of Title X funds, it was decided that disallowing any claims would, to some extent, be arbitrary. Acceleration credit was therefore given to all proposals claiming it. For those projects selected solely on the basis of ranking score, a test ranking of all proposals, disallowing all claims for acceleration credit, indicated that accepting all acceleration claims had the effect of eliminating 93 projects that otherwise would have been selected.*

* - Test ranking was performed by EDA's Program Analysis Division, in cooperation with the Information Systems and Services Division, on May 3, 1976.

INSURING URBAN/RURAL BALANCE

As was done for the first appropriation, after the projects were ranked based on their individual scores, the first 85 percent of the funds was allocated to the top-ranked projects. The remaining 15 percent was to be used to achieve the required balance between urban and rural areas and an equitable distribution among the states. (The latter distribution, although not specifically required by law, was considered necessary from a policy perspective.)

In anticipation of experiencing a shortfall in urban projects as had happened for the first allocation, EDA altered its definition of an urban project for the second allocation. That is, instead of considering urban projects as those submitted from applicants within SMSAs, urban projects were those submitted from: (1) counties with a central place of population of 25,000 or more; or (2) communities having a population of 5,000 or more and that were urban in nature.

In practice, the degree of overlap between these criteria was high, and only one of them was really needed as an alternative to the first allocation's definition. Regardless, without any deliberate adjustments to the urban/rural mix of projects selected for funding, 60 percent of the Title X funds can be said to have been allocated to urban communities of 5,000 or more and to counties with a central place of 25,000 or more. The remaining 40 percent was allocated to communities of less than 5,000.

However, achieving an appropriate balance of Title X funds among the states proved to be a source of difficulty that required time and effort to resolve.* Although the Title X legislation relieved agencies and departments from having to comply with provisions in their statutes related to "requiring allocation of funds among the states," the position of the Secretary of Commerce was

* - When questioned as to how much time was required to resolve this problem, EDA personnel could not recall with any certainty. It was stated, however, that under the circumstances, the time required seemed significantly long.

that, insofar as possible, each state should receive a proportion of Title X funds commensurate with its number of unemployed workers.

To achieve this balance (which was realized for the first allocation without adjustments), projects funded with the latter 15 percent of the available Title X funds were to be selected from states underrepresented in the first 85 percent. Using the technique applied for the first allocation to achieve the required urban/rural balance, projects from the states considered appropriately represented were not considered, while the highest ranked projects from the underrepresented states were chosen. This process was continued until 98 percent of the funds was allocated, 2 percent being held in reserve for needed supplements once projects were undertaken. Although some states continued to be underrepresented when overall shares of national unemployment were considered, the next highest ranked projects from those states were often ranked too low to receive funding consideration. Consequently, this issue was not resolved to the satisfaction of all the states.

Although the Title X Act also required that at least 50 percent of the funds be allocated to projects that were at least 75 percent labor intensive, this requirement was readily satisfied by both of the allocations without having to use the 15 percent available for making adjustments.

FUNDS ALLOCATION

As the target date for allocating funds (October 15) approached, several allocation-related problems requiring immediate resolution surfaced. One of these problems involved errors in the computer program used to rank the projects for allocation. Although the errors themselves were little more than minor oversights, they did affect the rankings of projects. Thus, the errors had to be corrected, the rankings recomputed, and the appropriate adjustments made. (EDA attributes its initially overlooking these errors to the haste with which the second ranking program had to be prepared and the lack of time and manpower to thoroughly verify the product before it was put to use.)

EDA also discovered -- before allocation was made -- that an estimated 45 to 50 duplicate project proposals were contained in the ranking. Unlike the difficulties

with the ranking program, however, this problem was not completely corrected before the allocation process was completed. EDA attributed the existence of duplicates to several factors.

- First, local applicants submitted proposals to more than one -- in some cases several -- Federal agencies; the agencies, not knowing of the other submissions, forwarded the applications to EDA. It was difficult to identify the duplicates because of the different project titles attached to the proposals by the submitting agencies and because the projects were carried in EDA's files under different departmental and agency headings.*
- Second, some applicants submitted both an original and copies of their proposals to a Federal agency. The copies were then accidentally or (in the case of some proposals that were forwarded to the Departments of Commerce and Labor) intentionally separated, and eventually were entered into the ranking system as two independent proposals.
- Third, the submitting departments and agencies carried out greater proposal solicitation for the second allocation than for the first. As a result, more local governments and agencies responded to these requests, increasing the likelihood that the same project could be submitted by more than one agency.

After EDA became aware that the duplicates had been ranked and selected for funding, Agency personnel spent considerable time in attempting to eliminate them before

* - It is not known why, if A-95 review procedures were followed by the submitting agencies, this situation developed. Apparently, normal A-95 procedures were not followed and thus did not work to identify this problem. Assuming other agencies obtained agreements with OMB similar to EDA's and were allowed to submit proposals for A-95 review and funding consideration simultaneously, A-95 reviews would eventually have identified the duplicates.

the allocation was announced. However, because it was possible that several different items of information could differ between the applications while still representing the same project, only 30 duplicates were identified before the allocation was made. (After the allocation was announced, an additional 15 to 20 duplicates were identified and eliminated prior to funds obligation. Only one duplicate escaped identification, and, although funds were obligated, the error was discovered prior to funds disbursement.)

Once the allocation had been determined, EDA forwarded the list of projects selected to the Assistant Secretary of Labor for Manpower for concurrence. This was achieved without difficulty. Thus, the allocation was completed on October 27, and the proposed allocation -- with the grant terms and conditions and the draft of a letter notifying the agencies of the allocation -- was forwarded to the Assistant Secretary for Economic Development for final approval. This was forthcoming on October 28, 1975.

The allocation, which totalled \$368,659,528, was distributed among 41 departments, agencies, and regional commissions, and was expected to generate more than 99,000 jobs through 1,375 projects. (A breakdown of the second allocation, updated as of October 1976, is provided in Table 6.) As noted earlier, some \$4.2 million was set aside as reserve for project overruns or other unanticipated costs.

On October 28, a letter was delivered to each agency listing the projects that had been approved for funding and the grant terms and conditions that would apply to the expenditure of funds. The majority of the funds were transferred between November 3 and November 7, 1975.

SUPPLEMENTARY ALLOCATION

Only \$368.7 million of the available \$372.9 million was allocated on October 28. After all duplicate projects had been eliminated and the allocations they represented (\$6.7 million) were made available for allocation, a reserve of \$10.9 million was created. Additionally, approximately \$1.4 million was available from earlier Title X projects that had been withdrawn by their sponsors, and another \$400,000 was not expected to be required for the administration and evaluation allowance. Consequently, in November 1975, some \$12.7 million was available for allocation.

TABLE 6
SECOND ALLOCATION OF TITLE X FUNDS*

Agency	Number Of Projects (Percent Of Total)	Agency Title X Obligation (Percent of Total)
Economic Development Administration	157 (11.3)	\$ 40,972,986 (11.0)
Ozarks Regional Commission	5 (0.4)	580,000 (0.2)
Upper Great Lakes Regional Commission	13 (0.9)	1,613,000 (0.4)
New England Regional Commission	9 (0.6)	3,624,401 (1.0)
Coastal Plains Regional Commission	69 (5.0)	4,638,152 (1.2)
Four Corners Regional Commission	10 (0.7)	1,847,736 (0.5)
Appalachian Regional Commission	10 (0.7)	1,720,753 (0.5)
Old West Regional Commission	4 (0.3)	781,070 (0.2)
Pacific Northwest Regional Commission	6 (0.4)	1,337,267 (0.4)
Farmers Home Administration	4 (0.3)	373,000 (0.1)
Soil Conservation Service	69 (5.0)	10,458,651 (2.8)
U.S. Forest Service	78 (5.6)	18,908,395 (5.1)
Animal and Plant Health Inspection	4 (0.3)	980,980 (0.3)
Office of Minority Business Enterprise	1 (0.1)	244,830 (0.1)
Environmental Protection Agency	34 (2.5)	7,620,244 (2.0)
Federal Energy Administration	1 (0.1)	118,040 (0.0)
National Aeronautics and Space Administration	1 (0.1)	3,000,000 (0.8)
Energy Research and Development Administration	1 (0.1)	2,706,293 (0.7)
Veterans Administration	9 (0.6)	972,233 (0.3)
Health, Education and Welfare (Office of the Secretary)	132 (9.5)	40,940,783 (10.9)
Office of Education	36 (2.6)	23,003,585 (6.2)
Health Services and Mental Health	49 (3.5)	29,315,537 (7.8)
Social and Rehabilitation Services	7 (0.5)	5,471,995 (1.5)
Center For Disease Control	30 (2.2)	3,748,668 (1.0)
Housing and Urban Development	46 (3.3)	19,005,026 (5.1)
Department of the Interior (Office of the Secretary)	1 (0.1)	100,000 (0.0)
Bureau of Outdoor Recreation	33 (2.4)	5,829,339 (1.6)
Fish and Wildlife Service	1 (0.1)	1,394,000 (0.4)
Bureau of Reclamation	1 (0.1)	60,000 (0.0)
Bureau of Indian Affairs	40 (2.9)	10,158,800 (2.7)
U.S. Geological Survey	2 (0.1)	98,500 (0.0)
National Park Service	27 (1.9)	2,390,233 (0.6)

TABLE 6 (Continued)

Agency	Number Of Projects (Percent Of Total)	Agency Title X Obligation (Percent Of Total)
Manpower Administration - CETA	88 (6.4)	\$ 25,922,911 (6.9)
Law Enforcement Assistance Administration	31 (2.2)	10,581,635 (2.8)
National Foundation on the Arts and Humanities	2 (0.1)	500,000 (0.1)
American Revolution Bicentennial Administration	98 (7.1)	14,157,769 (3.8)
Tennessee Valley Authority	16 (1.2)	1,915,500 (0.5)
Federal Highway Administration	8 (0.6)	5,588,580 (1.5)
Federal Aviation Administration	1 (0.1)	320,000 (0.1)
Urban Mass Transit Administration	2 (0.1)	985,000 (0.3)
Federal Railroad Administration	1 (0.1)	1,140,000 (0.3)
Department of the Air Force	7 (0.5)	1,893,816 (0.5)
Community Services Administration	228 (16.5)	63,099,541 (16.9)
Corps of Engineers	6 (0.4)	1,524,000 (0.4)
Department of the Navy	3 (0.2)	1,395,280 (0.4)
Department of the Army	3 (0.2)	395,500 (0.1)
National Oceanic and Atmospheric Administration	1 (0.1)	700,000 (0.2)
TOTAL	1,385	\$374,134,029

* - The discrepancy between the amount allocated on October 28 and what is shown above results from utilization of the amount held in reserve (but not required) for cost overruns in making supplementary allocations.

Although it was recognized in early November that a supplementary allocation was called for, authority for obligating Title X funds expired at the end of December. To be reasonably certain that obligations were made quickly and that a minimum number of projects were subsequently withdrawn, the Title X Coordinator elected not to rely solely on the proposal rankings developed for the initial allocation of the second appropriation. Instead, EDA sought to select only projects for which it was certain that preliminary planning and project assembly work had been completed. Presumably, if detailed estimates of such aspects as project feasibility, certainty of additional funding, costs, and other data points had been computed for a project, the speed with which it could be gotten underway and the chances of successfully obligating funds would be greatly increased.

However, the Title X Coordinator had learned from departmental and agency Title X contacts that many agencies claiming acceleration credit for their earlier proposals did not, in fact, know the true status of their proposals. Thus, it was presumed that little faith could be placed in agency statements regarding the preparation status of proposals for supplementary funding. For this reason, and because EDA was the only agency known to have accepted and begun processing formal applications for the projects it had proposed earlier (as opposed to simply completing a Form SEC-887), the Title X Coordinator judged that EDA was the agency best able to finish processing its projects and obligate the funds prior to December 31. In addition, selection of EDA projects would eliminate the need to transfer funds to other agencies, further insuring that the December 31 deadline would be met.

To be certain that such a policy was consistent with the wishes of the Office of the Secretary of Commerce, concurrence was sought from both the Assistance Secretary for Economic Development and the Assistant Secretary for Administration. The position subsequently expressed was that, in the absence of strong indication that other agencies' projects were ready to go, those EDA projects that were known to be ready for expeditious implementation should be selected.* In practice, selection

* - No documented evidence of this position by the Office of the Secretary was available. The information presented is based solely on the recollections of the Title X Coordinator.

of the supplemental projects was based on the state in which the project would be implemented, its standing in the overall project ranking, and informed opinion regarding how quickly it could be gotten underway.

In actuality, not all of the proposals selected for the supplementary allocation were sponsored by EDA; several were sponsored by other agencies. According to the Title X Coordinator, these projects should have been funded as part of the second allocation but were not, owing to errors in initially processing the proposals. After the errors were discovered and corrected, the Title X Coordinator decided that, in fairness to the submitting agencies, the projects should be funded. Additionally, an attempt was made to provide funds from the supplementary allocation to those states that were underrepresented in the second allocation. (The state receiving the largest number of supplementary projects was California, which was considered to be the most underrepresented in the second allocation.)

Supplementary allocation projects totaling \$12.4 million were selected and approved by the Assistant Secretary for Economic Development on November 17, allowing less than six weeks for the funds to be obligated. The agencies receiving these allocations, and the amounts they received are listed in Table 7.

After the supplementary allocation had been made, some of the funds previously allocated for Title X projects were transferred back to EDA because the projects could not be undertaken as proposed. Consequently, by mid-December, EDA had more than \$1 million available for allocation. Thus, on December 19 and 22, EDA approved two additional supplementary allocations totaling \$1,684,821 that created five additional Title X projects and supplemented Title X grants previously made for three other projects. The breakdown of these projects was as follows:

- Six EDA-sponsored projects totaling \$1,491,800.
- One project sponsored by the Appalachian Regional Commission for \$43,021,
- One project sponsored by the National Park Service for \$150,000.

In addition, the December 22 allocation established a

TABLE 7
AGENCIES RECEIVING TITLE X FUNDS
UNDER SECOND SUPPLEMENTARY ALLOCATION

Agency	Amount Allocated	Number of Additional Projects
Economic Development Administration	\$11,142,337	36
American Revolution Bicentennial Administration	332,000	4
Bureau of Outdoor Recreation	600,000	1
Office of Minority Business Enterprise	244,830	1
Appalachian Regional Commission	<u>120,000</u>	<u>1</u>
Total	\$12,439,167	43

policy of obligating any subsequent remaining funds to high-ranked U.S. Forest Service projects, which were selected because of their high labor intensity and that agency's ability to obligate funds quickly. This policy also contributed to EDA's ability to meet its December 31 deadline for obligation.

As a footnote to this discussion of supplementary allocations, it was noted in Chapter 3 that, in collecting data for this evaluation, available documentation itemized funding for 22 projects totaling \$3,688,000 for the first supplementary allocation, whereas, in fact, it was found that 23 projects totaling \$3,701,000 were funded. Likewise, an attempt to compare the authorizing documentation available for supplementary projects with the computer data file of supplementary projects actually funded for the second allocation shows that, although written approval was given for 51 supplementary projects totaling \$14,123,988, the data file shows 54 projects representing \$15,045,767.

Overall, these discrepancies show that the supplementary allocations actually made exceeded the allocations for which there is documentation by \$934,539. Although, in all likelihood, the Assistant Secretary for Economic Development agreed fully with the decisions regarding the additional supplementary allocation, the fact that such a large amount of additional funds were available, presumably after the major supplementary allocations were made, indicates that several projects were withdrawn by applicants close to the December 31 deadline. Moreover, because documentation authorizing these allocations was not available and because funds for 44 of the 54 second allocation supplemental projects were obligated on the last two days before program authorization expired, administration of the final aspects of the program was apparently subject to extreme pressure.

Considering that 12 of the 23 first appropriation supplementary projects selected in September did not have their funds obligated until December -- nine on the last two possible days -- it is apparent that the time available to obligate the supplementary grants was insufficient. Moreover, considering that 9 of the 23 supplementary projects authorized in August and September and 44 of the 54 supplementary projects authorized in December did not have their funds obligated until December 30 and 31, it is reasonable to question the procedure through which the funds were obligated.

An average of 75 days was required to obligate supplementary funds allocated in August and September. It therefore appears unlikely that, using normal procedures, funds allocated in mid-November and December could have been obligated by the end of December, especially considering that there was no change in the types of projects selected or the distribution of projects among the agencies. In practice, it appears that obligations were certified as having taken place on December 30 and 31, regardless of when they might have occurred, in an effort to avoid forfeiting program funds. Although the supplementary projects and their relation to the other Title X projects is beyond the scope of this evaluation, it is an appropriate topic for the direct impacts evaluation of Title X and will be included in that evaluation.

SUMMARY OF PROJECTS FUNDED DURING SECOND APPROPRIATION PERIOD

The distribution of the types of projects funded during the second appropriation period is shown in Table 8, along with summary information on the project types.* In contrast to the distribution for the first appropriation period -- in which 65 percent of the projects funded were for project Categories 3 and 4 -- for the second appropriation 66 percent of the funding was distributed between Categories 4 (Maintenance, Rehabilitation, Renovation) and 5 (Public and Social Service).

Although there is insufficient preliminary information to explain why projects in Category 3 declined from 37 percent of the first appropriation's distribution to 15 percent of the second appropriation's, the increase of projects in Category 5 from 12 percent for the first appropriation to 35 percent for the second is the result of two changes instituted by OMB and the Office of the Secretary of Commerce in the allocation process for the second appropriation; namely:

* - A summary of the combined distribution of types of projects funded for both appropriations is provided in Table 9.

TABLE 8*
DISTRIBUTION OF PROJECTS FUNDED BY TYPE: SECOND ALLOCATION

Project Categories	Title X Obligations as Percent of Total	Labor Intensity**	Project Cost Per Man-Month	Ratio: Title X Cost to Total Project Cost	Average Duration of Jobs Created	Average Total Project Cost	Average Number Man-Months Employment Generated
Project Category 1 - Building Construction: These projects involve construction of new structures or expansion of or addition to existing structures.	11%	74%	\$1,143	51%	9.5 months	\$676,659	592
Project Category 2 - Civil Works Construction: These projects involve construction of new civil works facilities, or expansion of or addition to existing facilities.	6%	79%	\$1,041	66%	9.8 months	\$362,996	349
Project Category 3 - Forestry, Conservation, Recreation: These projects generally involve little or no construction-type activities.	15%	86%	\$ 786	81%	9.8 months	\$226,801	288
Project Category 4 - Maintenance, Rehabilitation, Renovation: These projects involve the maintenance, rehabilitation, or repair of existing structures or facilities.	31%	82%	\$ 841	67%	9.3 months	\$409,332	487
Project Category 5 - Public and Social Service: These projects are highly labor intensive and involve public employment or the delivery of social services or training.	35%	90%	\$ 831	58%	8.9 months	\$514,690	619
Project Category 9 - All other projects not classified elsewhere.	2%	81%	\$ 943	82%	8.5 months	\$321,889	341
Average for all first appropriation projects		85%	\$ 871	63%	9.2 months	\$420,667	483

*It should be recognized that the data presented in this table are based primarily on estimates presented on project proposal forms. Given that proposing agencies were competing with one another for a limited amount of Title X funds, these data may reflect an aggregate tendency to exaggerate the benefits to be derived from the proposed projects.

**Labor cost divided by total project cost.

TABLE 9 *
DISTRIBUTION OF PROJECTS FUNDED BY TYPE: FIRST AND SECOND ALLOCATIONS

Project Categories	Title X Obligations as Percent of Total	Labor Intensity**	Project Cost Per Man-Month	Ratio: Title X Cost to Total Project Cost	Average Duration of Jobs Created	Average Total Project Cost	Average Number Man-Months Employment Generated
Project Category 1 - Building Construction: These projects involve construction of new structures or expansion of or addition to existing structures.	10%	72%	\$1,130	54%	8.9 months	\$487,754	432
Project Category 2 - Civil Works Construc- tion: These projects involve construction of new civil works facilities, or expan- sion of or addition to existing facilities.	7%	79%	\$1,189	61%	8.3 months	\$325,183	274
Project Category 3 - Forestry, Conserva- tion, Recreation: These projects generally involve little or no construction-type activities.	21%	82%	\$ 787	84%	8.3 months	\$187,375	238
Project Category 4 - Maintenance, Rehabilitation, Renovation: These projects involve the maintenance, rehabilitation, or repair of existing structures or facilities.	30%	80%	\$ 888	68%	8.2 months	\$307,566	346
Project Category 5 - Public and Social Service: These projects are highly labor intensive and involve public employment or the delivery of social services or training.	30%	91%	\$ 769	59%	9.1 months	\$475,190	618
Project Category 9 - All other projects not classified elsewhere.	2%	81%	\$ 957	82%	8.1 months	\$324,554	339
Average for all first appropriation projects		83%	\$ 867	66%	8.6 months	\$328,403	379

*It should be recognized that the data presented in this table are based primarily on estimates presented on project proposal forms. Given that proposing agencies were competing with one another for a limited amount of Title X funds, these data may reflect an aggregate tendency to exaggerate the benefits to be derived from the proposed projects.

**Labor cost divided by total project cost.

- First, because OMB was to be responsible for issuing all proposal submission guidelines to the departments and agencies (a function that EDA's Title X Coordinator had assumed for the first appropriation), thereby precluding EDA from discouraging public service jobs proposals as it had attempted to do for the first appropriation, it is presumed that more public service jobs proposals were submitted than otherwise would have been the case.
- Second, the changes in the weighting of the ranking criteria -- made contrary to the wishes of EDA and before EDA was given authority for the Title X Program -- increased the possibility of selecting public service jobs projects.

Taken together, these two changes guaranteed selection of a greater proportion of public service jobs projects than would have been possible had the procedures remained the same. Considering that the authors of the program envisioned it as an alternative to public service jobs programs, the effect of the changes was to subvert the intent of the program.

However, the issue of intent of the Title X Program must be balanced with its inconsistency with the letter of the law. As was previously discussed, when the joint House and Senate Committee was convened in December 1974 to refine the Title X amendment for inclusion in a Department of Labor bill, all conferees were members of the Labor and Public Welfare Committee -- no Public Works Committee representatives were present. Consequently, when the joint committee added the language that first priority consideration be given to the most labor-intensive projects, the legal rationale for public service jobs projects as part of the Title X Program was created. Because the Department of Labor favored public service projects (a principal component of its CETA program) and because the \$500 million authorized for Title X had been forfeited from CETA amendments, it was in Labor's best interests that "labor intensity" be written into the program.

Additionally, the Secretary of Labor's subsequent efforts to have the Title X Program used in conjunction with CETA projects point to the fact that proponents of the Department of Labor's CETA approach to job creation made every effort not to have Title X funds used for public works

projects. Because the Title X Act contained no specific reference to the intended public works nature of the program (requiring that administrators go to the program's legislative history for such information), OMB and the Office of the Secretary faithfully executed the letter of the law by not discouraging public service jobs proposals and by giving extra consideration to highly labor intensive projects.

If OMB and the Office of the Secretary are liable for criticism for redirecting the Title X Program toward public service jobs projects, the legislative process that produced a program that did not reflect the goals of its authors is equally liable. That is, while the program was intended to be a flexible tool for supporting job-creating projects, its underlying bias toward public works projects was sacrificed in the compromises made to the Department of Labor and OMB to have the bill enacted into law.

5 - PROGRAM SUMMARY, CONCLUSIONS, AND RECOMMENDATIONS

Title X (Job Opportunities Program) of the Public Works and Economic Development Act of 1965 was signed into law on December 31, 1974, "to provide emergency financial assistance to stimulate, maintain or expand job creating activities in areas, both urban and rural, which are suffering from unusually high levels of unemployment."* Title X's authorized funding was \$500 million, which was to be obligated by December 31, 1975, to Federal departments, agencies, and regional commissions sponsoring job-creating programs.

Although Title X technically was a program of the Economic Development Administration, the authorizing legislation specified that various program-related activities be jointly determined and carried out by the Offices of the Secretaries of Commerce and Labor. The latter office's involvement in the program stemmed from the fact that Title X was, in fact, an amendment to legislation principally affecting activities of the Department of Labor; further, the funding for Title X was taken from monies that otherwise would have been applied to Labor's CETA program. Additionally, the Office of Management and Budget was heavily involved in the administration of Title X owing to its oversight role for all expenditures by Federal departments and agencies.

The following sections briefly reiterate the activities carried out in the administration of Title X between December 31, 1974, and December 31, 1975 (as described in detail in the previous three chapters), discuss the principal conclusions emerging from this evaluation of Title X's administration in terms of the key players involved -- i.e., EDA, the Office of the Secretary of Commerce, the Department of Labor, and the Office of Management and Budget -- and make recommendations regarding future countercyclical employment programs.

* - Public Works and Economic Development Act of 1965, as amended, (P.L. 89-136; 42 U.S.C. 3121 et seq.).

PROGRAM SUMMARY

As discussed in the earlier chapters, the Title X Program was actually carried out in two phases, corresponding to the appropriation of funds for the program. The first apportionment, made on April 11, 1975, after being appropriated on January 4, 1975, gave \$125 million to the program; the remainder of Title X's authorization -- \$375 million -- was apportioned on July 25, 1975, after being appropriated on June 27, 1975.

First Appropriation

The Title X legislation set forth two deadlines to be met in the administration of the program:

- First, within 45 days of the program's being signed into law (i.e., by February 14, 1975), the Secretary of Commerce was to receive results of a survey conducted by each Federal department, agency, and regional commission recommending programs and projects that had the potential for stimulating the creation of jobs for unemployed persons in eligible areas.
- Second, within 30 days after the survey responses had been received (i.e., by March 16, 1975), the Secretary of Commerce -- following a joint review of agency proposals with the Secretary of Labor -- was to allocate the Title X funds in accordance with the provisions of the legislation.

Before work on the first of these activities had been initiated, a significant change was made affecting the administration of Title X. That is, OMB requested that the Secretary of Commerce retain authority for carrying out the program, rather than delegating it to the agency whose authorizing legislation had been amended -- EDA. Thus, EDA was to be responsible for developing allocations for the program funds, but it did not have the authority to make the allocations. Further, the methodology EDA developed for allocation was subject to the approval of the Secretary of Commerce.

With this division of responsibility understood, EDA began preparing a letter reminding the Federal departments, agencies, and regional commissions of their responsibility to survey their activities. By January 11, EDA had

established the criteria to be used in reviewing proposed projects and had prepared a letter requesting the agency survey. This letter was reviewed and revised by OMB, and was distributed to the agencies on January 21, 1975. Most responses were returned to EDA by February 5, thus satisfying the legislative deadline for completion.

The second legislatively imposed time constraint -- allocation of program funds by March 16, 1975 -- was overtaken by a series of delaying events that ultimately resulted in the allocation of the first appropriation not being made until June 18, 1975. The most significant of these events, which are discussed in detail in Chapters 2 and 3, are summarized in the following subsections.

Administration Request for Deferral of Budget Authority:
On January 30, 1975, the Administration requested a deferral of Title X's budget authority until such time as Congress restored the funds to the Department of Labor for use in creating public service jobs through its CETA program. On February 17, the Comptroller General reclassified the deferral as a request for rescission, since the deferral would have effectively terminated the Job Opportunities Program within the Department of Commerce. As a result of provisions in the Impoundment Control Act governing rescission requests, Congress then had 45 days in which to support or deny the President's request; if no action were taken, the request would expire and the budget authority had to be made available for obligation.

Congress chose not to support the rescission request, allowing it to expire. The first Title X appropriation was thus made available to the Department of Commerce on April 11, 1975. While the Administration's deferral/rescission did not prevent the eventual obligation of funds, it did serve to delay this activity by 27 days, pushing the date on which funds were allocated from that required by the legislation (March 16) to April 11, 1975, at the earliest.

Commerce/Labor Disagreement on Allocation Mechanism:
While awaiting the congressional decision on the rescission request, EDA attempted to satisfy those legislative requirements mandating joint action by the Secretaries of Commerce and Labor: (1) reviewing the agency survey responses; and (2) jointly determining that the programs and projects proposed had the characteristics specified in the Title X legislation. The first of these requirements posed no difficulties. The two departments differed, however, with regard to the second requirement.

- The Secretary of Commerce favored allocating funds to departments and agencies on the basis of their responses to the January survey. Using review criteria established jointly by the Departments of Commerce and Labor, each agency would review its proposed projects and select those that best satisfied the criteria. The allocations would then be made by the Secretary of Commerce on the basis of the types of projects proposed (public service jobs projects were discouraged in favor of projects having long-term benefits) and the total dollar amount requested in each agency's survey response.
- The Secretary of Labor disagreed with this concept on the grounds that simply supplying departments and agencies with jointly approved review criteria did not satisfy the legislative requirement for joint Commerce/Labor project review. The Secretary offered an alternative approach that focused on Labor's CETA program and gave CETA prime sponsors final project selection authority. The Secretary also envisioned the use of Title X funds to supplement CETA project funds for non-labor costs.

The Secretary of Commerce was critical of Labor's proposal, while the Secretary of Labor continued to defend it, and correspondence between the secretaries and their staffs indicates that no agreement was ever reached on the issue. The perspectives and interests of the two departments apparently were too divergent to allow ready resolution of their differences.

On balance, this inability to reach agreement constituted more of a nuisance than a hindrance to program implementation, since both Secretaries ultimately agreed to a third allocation scheme put forward by OMB. (Had OMB not proposed its allocation mechanism, however, the disagreement between the Secretaries could well have represented a serious obstacle to program implementation.) As it was, though, this did cause some further delays, as discussed below.

OMB's Introduction of Alternative Allocation Mechanism:

On April 2, 1975, OMB presented a third allocation scheme. Briefly, this involved: (1) a resurvey of the agencies using a standardized reporting form; (2) manual screening of responses on the basis of joint Commerce/Labor review

criteria; and (3) ranking of project proposals for selection by Commerce/EDA, with concurrence by the Secretary of Labor. OMB's late introduction of this proposal, and the time needed to work out the details associated with its implementation, ultimately served to delay the allocation an additional two months.

OMB's rationale for recommending changes in allocation was twofold:

- First, the January survey had produced responses that did not contain sufficient information about proposed projects and did not permit comparison of proposals for selection.
- Second, basing allocation on the volume of proposals received in response to the January survey -- as EDA anticipated doing -- favored agencies that had not screened their proposals but submitted all received, while penalizing agencies that had submitted only what they considered to be their best projects in line with the purpose of Title X.

EDA later agreed that OMB's rationale did have merit. Although EDA believed that the January survey had given it a basis on which to distinguish the types of projects proposed, OMB's suggestion of a resurvey did produce more easily comparable results. The opinion of EDA's Title X Coordinator was that, in light of the difficulties EDA encountered in working with other agencies and the delays experienced in obligating funds and getting projects under way, having Commerce/EDA select specific projects instead of allowing the departments and agencies to do so probably expedited the obligation process and resulted in projects that better satisfied the requirements of the Act.

Why OMB did not make its objections known earlier, however, is not clear. The only explanation offered is that OMB did not believe that it would be required to apportion the funds (i.e., that Congress would favor the Administration's request for a rescission) until immediately before apportionment, and thus had given little prior consideration to the allocation process. Had OMB acted sooner -- say in March, when it was briefed on Commerce's allocation process -- plans for a resurvey by the agencies could have been under way and the ranking and selection process could have been planned (if not

prepared) at the time of apportionment. Considering that the legislation had been passed to meet an emergency situation, allowing such preliminary work to be accomplished prior to apportionment would seem to have been a logical step and would have avoided further needless delays in program implementation.

OMB's Attachment of Conditions on Apportionment: In releasing the first Title X appropriation on April 11, 1975, OMB attached six conditions with which Commerce was to comply. The reaction of the Office of the Secretary to these conditions was that they represented an attempt by OMB to intrude in the operation of a Commerce program. In the opinion of Commerce's General Counsel, three of these conditions were merely restatements of Title X provisions. The remaining three conditions, however, he viewed as operating in such a manner as to be contrary to existing law.

The issue regarding the conditions was not formally resolved until June 17, 1975, when OMB withdrew them. Although these conditions and the debate surrounding them did not delay program implementation, they did serve to complicate an already complex situation and were of questionable legality.

Difficulty in Proposal Ranking: Aside from the issue created as a result OMB's six conditions, implementation of the allocation process proceeded relatively smoothly in the period immediately following apportionment. EDA developed the new project survey form and distributed it to the Federal departments, agencies, and regional commissions on April 8, 1975, approximately one week after the allocation procedure was revised. Agreement on the project review criteria to be used in screening proposals was reached between Commerce and Labor on May 2. By late May, EDA had formalized the three legislative and three discretionary criteria needed to rank acceptable proposals, and policy weights reflecting the relative importance of each criterion were devised.

The only major difficulty in ranking the proposals related to one of the legislative criteria -- unemployment rate. In essence, several proposals representing a single geographic area often claimed grossly different unemployment rates; thus, all of the rates claimed had to be considered unreliable. Further, the Department of Labor was responsible for supplying EDA with area unemployment rates and reportedly had made a verbal promise to supply these

data organized by county -- to be compatible with the location information on the SEC-887. However, although Labor supplied EDA with data on schedule, the data were for CETA areas rather than for counties, and did not include the geographic definitions required to separate out counties. Labor eventually did supply the required geographic information, but this was received too late to make the unemployment data of much use to EDA.

As a result of these problems, it was necessary for EDA personnel to telephone all state employment security agencies in an effort to obtain the most current employment data available. Although this practice introduced some inequities into the ranking process (as a result of the reporting procedures used by the various state employment offices), it was considered preferable to using the out-of-date and unsuitably formatted Department of Labor data.

Difficulty in Achieving Urban/Rural Balance: The final problem experienced relative to the first allocation was achieving the equitable urban/rural balance required by the Title X legislation. (EDA policy makers determined, on the basis of the distribution of the unemployed population, that an equitable distribution of funds would be to allocate 60 percent of the funds for urban projects and 40 percent for rural projects.) After the proposals had been ranked and scored, it was found that a 45/55 balance existed. It was thus necessary for EDA to eliminate the lowest ranked rural projects, substitute the remaining highest ranked urban projects, and give consideration to proposals impacting both urban and rural areas, until the 60/40 balance was realized.

* * *

With all issues resolved, the Secretary of Commerce announced the allocation for the first appropriation on June 18, 1975, five and one-half months after the appropriation was approved. In sum, it was apparent that the allocation process required considerably more time to implement than was envisioned by the authors of the program, in large measure as a result of two major delay-creating actions:

- Responsibility for the first major delay, the deferral/rescission request, can be attributed to the Administration and OMB.

- Responsibility for the second major delay, the last-minute revision of the allocation procedure, must be shared by the Office of the Secretary of Commerce, EDA, and OMB -- Commerce and EDA for not reviewing the initial proposal in sufficient detail to identify its several shortfalls and for not assigning sufficient personnel to the program; OMB for not making its objections and its own procedure known at an earlier date.

A further, though less significant, delay resulted from Labor's inability to provide the unemployment data needed to rank proposals, which in turn required that EDA personnel expend both time and effort to obtain usable data.

Second Appropriation

Appropriation of the remaining \$375 million authorized by the Title X Act was first considered by Congress in March 1975, before the initial appropriation had been made to EDA. The second appropriation request was embodied in the Emergency Employment Appropriation Act, which was approved by both houses at the end of May 1975. However, the President vetoed this bill on May 29, stating that the programs it funded would not be an effective response to unemployment and that the expenditures would create too much stimulus for the economy.

Following the President's veto, Congress continued to press for the second appropriation and, within three weeks, passed the Continuing Appropriations bill, which included the \$375 million for Title X. The President signed this bill on June 27, 1975. However, OMB did not apportion the funds to EDA until July 25, almost at the end of the 30-day period it had to do so.

Commerce and OMB officials offered differing views (during interviews conducted for this evaluation) regarding the delay in apportionment. Commerce maintained that it was given no indication of whether OMB would apportion the funds or request a rescission as had been done for the first appropriation. As a result of this uncertainty, Commerce/EDA carried out comparatively little preparation for administering the second appropriation prior to apportionment other than revising the project survey form and preparing the letter from the Secretary of Commerce to the departments, agencies, and regional commissions. OMB maintained that it did discuss the allocation with the Office of the Secretary, that it gave no consideration to a rescission request, and that it made this known to Commerce.

These inconsistencies aside, Commerce maintained that the first major discussion regarding administration of the second appropriation was held only in late July, at approximately the time the apportionment was made. (This meeting was restricted to representatives of OMB and the Office of the Secretary of Commerce; no representatives of EDA were present.) At this time, a number of changes were discussed affecting the administration of Title X, as discussed in Chapter 4 and summarized in the following pages. The following subsections also discuss problems encountered in processing project proposals for the second allocation.

Change in Program Administration: One major item of discussion at the July Commerce/OMB meeting was the desire of the Secretary of Commerce to delegate authority for the Title X Program to the Assistant Secretary for Economic Development so as to insure closer management and control over the program. According to representatives of the Office of the Secretary, OMB opposed this delegation, agreeing to it only after the Office of the Secretary agreed to retain authority over the program until project selection criteria had been chosen. A representative of OMB maintained that this was not the case -- that OMB did not care whether EDA had authority for the program and was not aware when authority was transferred. Although the conflicts of these statements could not be resolved, it is known that responsibility for Title X was not formally delegated to EDA until September 30, 1975, after the allocation procedures had been revised and the ranking of project proposals had begun.

The second major item of discussion between Commerce and OMB related to the allocation of funds. Specifically, OMB proposed that only projects that proposing agencies had already planned to undertake should be selected for funding. Such projects -- termed "accelerated" -- would be identified by OMB with the assistance of departmental and agency management. OMB sought accelerated projects to the exclusion of all others for two reasons:

- They could be gotten under way expeditiously, because preliminary planning had already been accomplished.
- They would already be contained in budget proposals. Thus, it would be possible to reduce the budgets of agencies receiving grants for such projects by amounts equal to the Title X grants, in turn allowing an overall reduction in Federal outlays compared to what would be spent if non-accelerated projects were selected and funded.

Further, OMB proposed that only two ranking criteria be used in place of the six used in determining the first allocation -- unemployment rate (which was to constitute 25 percent of the total ranking score) and the Title X cost of creating a man-year of employment for an otherwise unemployed area resident (75 percent of the total ranking score).

EDA maintained that the proposal ranking criteria should have been kept the same as for the first allocation, that reducing the number of ranking criteria to two violated both the letter and intent of the Title X legislation, and that projects other than accelerated projects should be considered for funding. Discussions between OMB, EDA, and the Office of the Secretary regarding OMB's proposal continued until August 17. Although, during this evaluation, the Office of the Secretary and the OMB representative did not offer the same explanations regarding how the final allocation process was determined, the compromises finally reached were as follows:

- Although Commerce would not accept OMB's proposal to consider only accelerated projects, it did agree to adding acceleration as a criterion. (This criterion carried a point value of 25, increasing the total possible number of points from 100, which had been used for the first allocation, to 125. Proposals not claiming acceleration credit were to receive a score of zero for this criterion.)
- OMB was to assume responsibility for the use of the acceleration criterion in reducing departmental and agency budgets.
- OMB was to prepare those portions of the letter to the agencies and the survey form dealing with acceleration.

Further, Commerce did not agree with OMB that the discretionary "Title X cost of creating a man-year of employment" should carry a point value of 75. However, it did agree to increasing its value from the 5 points assigned for the first allocation to 15 points for the second. This required a reduction in the points assigned to the two other discretionary criteria -- leverage and long-term benefit -- to maintain a total score of 100 points for the original six criteria. The Office of the

Secretary maintained that this change was made at OMB's insistence; OMB stated that this was not the case. If it was not done at OMB's request, however, then the rationale for making the change is obscure, considering Commerce's position regarding any change.

In sum, the effect of shifting these point values appears to have been to favor highly labor-intensive projects over projects requiring larger investments in non-labor items, as is supported by a comparison of the distribution of project types for the two allocations (Tables 5 and 8). Highly labor-intensive projects showed a marked increase in number for the second allocation, while public works type projects geared toward realizing long-term benefits showed a decrease.

However, it would be unrealistic to attribute the shift in project types entirely to the change in policy weights. It should be remembered also that, for the first allocation, EDA had informally instructed agencies not to submit proposals for public service employment projects; OMB took the role of instructing agencies concerning their submissions for the second allocation, and OMB had no bias against public service employment projects. As a result, because the universe of projects proposed contained a larger number of public service job proposals, it is reasonable that the distribution of approved projects should reflect this change.

The third major item of discussion between OMB and Commerce regarded the use of planning ranges. For the first appropriation, EDA had established planning ranges indicating what was expected to be the minimum and maximum dollar submissions for each agency. OMB criticized the use of such ranges as a limiting factor that discouraged the submission of potentially worthwhile projects. The Secretary of Commerce conceded this point to OMB, and planning ranges were not provided for the second appropriation.

With the compromises regarding program administration reached, the letter inviting departments, agencies, and regional commissions to submit proposals for consideration was sent on August 17, 1975, 22 days after apportionment. By this time, more than three weeks had been consumed as a result of the OMB/Commerce discussions -- an amount of time that appears to be excessive and largely unjustifiable.

Moreover, personnel in the Department feel that these discussions would have continued longer had Commerce not taken the initiative in compromising with OMB. Had meaningful discussions between the two parties been initiated between the time the appropriation was authorized and the apportionment was made, more time (30 days as opposed to 21) could have been spent in discussing the proposed changes, and without delaying program implementation.

Proposal Processing Problems: As a result of the delays discussed above, the submitting agencies were allowed only three weeks (until September 15) to submit their proposals, as opposed to the five weeks given for the first appropriation. This deadline was set with the goal of having all proposals processed and funds allocated by October 15. As the submissions were received by EDA, a number of major problems surfaced. Key among these were the following:

- First, as the result of not using planning ranges and in spite of OMB's request to the agencies to be selective in their submissions, more than 9,600 proposals requesting in excess of \$3.3 billion were received. (On the basis of experience with the first appropriation, EDA had expected between 3,000 and 4,000 proposals.) This volume of proposals made it apparent that neither OMB's planned identification of projects nor its effort to have the agencies limit their submissions had been effective. Moreover, it resulted in EDA's processing facilities being overloaded, and most probably introduced delays and inefficiencies in processing (although estimates of the impact of the proposal volume in this regard are at best imprecise).
- Second, through the use of an error-identifying computer program, EDA found that all but five of the proposals submitted contained logical errors, requiring that the proposals be returned to the submitting agencies for correction. (The high rate of errors can be attributed to the short time allowed the agencies for preparing their submissions and the lack of instructions accompanying the proposal submission forms.) On top of the delays created by having to return the proposals, many agencies did not resubmit their

proposals within the requested five working days (although the resubmissions were in fact accepted until proposal ranking began); many were resubmitted too late to be considered for funding.

- Third, the lack of current and useful unemployment data for substate areas, which had created a problem during the first appropriation period, reoccurred. The non-fit of the Labor-supplied CETA unemployment data and the fact that these data were not always current again required that EDA personnel telephone state employment security agencies in an attempt to obtain uniform, up-to-date unemployment data -- introducing yet another delay. Again, although this practice introduced some inequities, it appears to have been the most expeditious and equitable route to take, given the importance of having timely and accurate data.
- Fourth, approximately 95 percent of the submissions claimed the additional 25 points for acceleration; it was later ascertained that many submitting agencies had not screened their proposals and were not certain that they in fact complied with OMB's definition of acceleration. Further, it was found that OMB had provided no guidance to agencies in identifying accelerated projects as it had stated it would do. After some discussion within EDA regarding a somewhat arbitrary disqualification of proposals for the acceleration credit versus taking the time required to re-review all proposals from the agencies in question, it was decided to award the acceleration credit for all proposals claiming it.
- Fifth, a number of duplicate proposals were submitted for consideration as the result of: (1) some agencies intentionally submitting duplicate copies that inadvertently became separated and were entered into the computer ranking as two separate submissions; and (2) different agencies submitting the same proposal on behalf of a third party. Duplicates of this type were difficult to detect since the proposals often had slightly different titles, different agency identification numbers, and different sponsors. The outcome was the selection of between 15 and 20

duplicate proposals for funding. Once EDA discovered this problem, a manual review of the allocation was carried out, and all but one duplicate were eliminated before funds were obligated. However, the remaining duplicate was discovered and eliminated prior to funds disbursement.

Finally, although achieving an appropriate urban/rural balance presented no problems for the second allocation as it had for the first -- apparently as a result of EDA's modification of what constituted an "urban" project -- some difficulty was experienced with regard to the distribution of Title X funds among states. Although the legislation stated that the Secretary of Commerce was to make allocations without regard to distribution among states, the Secretary maintained that each state should receive a proportion of Title X funds commensurate with its number of unemployed workers. Although EDA made adjustments to increase the allocations to underrepresented states, many continued to be underrepresented simply because proposals from those states ranked too low to be funded. Thus, it was not possible to achieve the desired distribution, and many states made their dissatisfaction with the distribution of funds known.

* * *

With all issues and problems surrounding the second appropriation resolved, the Secretary of Commerce made the allocations on October 28, four months after the appropriation was approved. Looking at the delays present in this appropriation period, the following can be said.

- As noted earlier, almost 30 days were lost as the result of OMB's delaying apportionment and that organization's silence toward Commerce regarding whether apportionment would be made. This time could well have been spent in discussing issues of program administration later raised by OMB that required an additional three weeks for resolution.
- The delays created by the need to process a volume of proposals that was more than double that expected can be attributed to OMB's insistence -- and the Secretary of Commerce's concurrence -- that planning ranges not be used.

- The delays in having to return almost all submissions to the respective agencies can be attributed to the short time allowed the agencies for preparing their submissions (as a result of time being lost earlier for the Commerce/OMB discussions), as well as to the lack of complete instructions with the EDA-prepared proposal submission form.
- The misuse of the acceleration credit, although not causing delays only because EDA decided not to take the time required to verify each claim, proved to be a further source of proposal processing difficulty and one that required some time to determine the course that should be followed.
- Finally, the delays created by EDA's having to manually review proposals to identify duplicates can be attributed to an eagerness on the part of state and local officials to have a project(s) funded and their submitting the same proposal to more than one Federal agency for Title X submission.

Supplementary Allocations

The allocation made on October 28, coupled with that made on June 18, accounted for \$490 million of the \$500 million available under Title X, leaving some \$10 million still available for allocation. Further, as the result of projects being withdrawn by their sponsors and unexpended administrative funds, EDA had, in total, \$18.7 million available for supplementary allocations for both appropriation periods. Consequently, two supplementary allocations were made following the first allocation, and at least three following the second. Two characteristics of these supplementary allocations distinguish them from the initial allocations.

First, because EDA wanted to obligate funds for the supplementary projects quickly, it sought only projects for which preliminary planning and development had been completed. (It further sought, although to a lesser extent, to equalize the distribution of funds among states through the supplementary allocations.) However, because many agencies did not know the true preparation status of the proposals they were sponsoring, and because EDA was the only agency known to have accepted and begun processing

formal applications for earlier submissions, EDA was judged most capable of being able to complete the processing required to obligate the funds by the legislative deadline of December 31, 1975. Ultimately, of 77 supplementary projects selected, 59 were EDA-sponsored and accounted for \$15.8 million of the \$18.7 million disbursed through supplementary allocation.

Second, of the 77 supplementary projects selected between August and the end of December, 53 obligated their funds on the two days prior to the expiration of Title X's authorization. Forty of these projects were EDA-sponsored. Considering that an average of 75 days was needed to obligate funds for 22 supplementary projects selected in August and September, with many of these not being funded until the last two days of December, it seems unlikely that projects selected in mid-November and December could actually have been ready to have their funds obligated by the end of December. In fact, it appears that the practice was to short-circuit the normal obligation process and to certify obligations on December 30 and 31, regardless of when they might have taken place, in order to avoid forfeiting program funds.

The second consideration gives added significance to the delays resulting from the actions of OMB and the Office of the Secretary. Because 53 of the 77 supplementary projects selected were chosen in the final two days of the Title X Program, a situation of haste and pressure undoubtedly was created. It is unfortunate that projects totaling more than \$15 million had to be funded under these circumstances. If some of the weeks spent earlier in debate and inaction had been available at the end of the authorization period, a more thorough review of the projects, or even a limited solicitation of new proposals, might have been possible.

Although comparison of the performance of all projects (including the supplementary projects) is not the subject of this evaluation,* project selection practices such as those employed in the final stages of Title X appear inherently unsound. And although EDA must be held responsible for the project selection procedures it employed

* - This will be the subject of an evaluation of the direct impacts of the Title X Program.

during this phase of the program and consequently for the performance of the supplementary projects it selected, much of the responsibility for the situation under which these projects had to be funded rests with OMB and the Office of the Secretary.

CONCLUSIONS

The following sections discuss the conclusions that have been drawn from this evaluation of the administration of the Title X Program in terms of the principal players involved -- i.e., EDA, the Department of Labor, the Office of the Secretary of Commerce, and the Office of Management and Budget.

Economic Development Administration

First Appropriation: EDA, as the principal operative on behalf of the Department of Commerce with regard to the Title X Program, on the whole performed satisfactorily in allocating the first appropriation, although in retrospect several deficiencies have been identified. EDA attempted to comply with both the letter and intent of the Title X legislation. This is evidenced by the following early activities on EDA's part:

- Within two weeks of Title X's being created, EDA, in conjunction with the Office of the Secretary of Commerce, prepared preliminary guidelines for the selection of Title X projects.
- Within approximately one month, EDA reminded the Federal departments, agencies, and regional commissions of their responsibility under the Title X legislation to survey their activities, established a deadline for submissions, and received a substantial proportion of responses. This process was completed in less than the 45 days allowed by the statute; however, the results of the survey were later found to be inadequate, and a resurvey was required.
- Discussions were initiated with the Department of Commerce regarding joint Commerce/Labor responsibilities in administering Title X.

- EDA completed such other procedural steps necessary for expeditious allocation as petitioning OMB to exempt Title X projects from A-95 review procedures and requesting needed substate unemployment data from the Department of Labor.

Those early efforts on EDA's part were, to a large extent, thwarted by the Administration's request for a rescission of the Title X funding; as has been noted, this issue was not resolved until early April. Although the delay accompanying the rescission request made the two time prescriptions of the Title X legislation inoperative -- i.e., that the agency survey be completed with 45 days of passage of the Act and that allocation of funds be made within 30 days following the agency survey -- EDA, nevertheless, attempted to comply with these prescriptions insofar as possible. That is:

- After it became apparent that the Title X funds would not be rescinded, EDA, at the direction of OMB, initiated a second, more detailed survey of the Federal agencies. This survey was completed in 37 days.
- EDA also revised the process to be used for allocating funds so as to comply with OMB recommendations. In carrying out the revised allocation procedure, EDA developed and employed procedures and techniques that it had not previously considered using, thereby increasing the difficulty of the work involved. Nonetheless, EDA announced the allocation of the first appropriation 30 days later, conforming at least to the spirit of the Act.

Further, in preparing to select projects for funding, EDA went beyond the explicit requirements of the Title X legislation, reviewing its legislative history to determine the types of projects envisioned by the program's authors -- in this case, public works projects as opposed to public service jobs projects. In line with this finding, EDA established a policy of discouraging public service jobs projects, and did not include in the resurvey agencies whose initial responses contained only proposals for such projects. (It should be pointed out, however, that EDA did not eliminate public service jobs projects from consideration since such projects were not prohibited by the Title X legislation.)

In spite of its generally favorable performance, the Agency must also take responsibility for two shortfalls with regard to the administration of the first appropriation; namely:

- EDA failed to supply sufficient instructions with the forms used for the second agency survey.
- EDA failed to revise its proposed allocation procedure during the time made available by the rescission request, in spite of the fact that it was aware of liabilities in this procedure.

With regard to the survey form, EDA did not provide meaningful, understandable instructions and definitions of terms for the submitting agencies. As a result, the agencies frequently were imprecise in their responses, often providing information that was inappropriate to the questions asked. This deficiency later resulted in extra work being required of EDA personnel in processing the proposals, and, in many cases, did not permit EDA to have a thorough understanding of the projects being proposed. In defense of EDA, it should be recognized that it had only a few days in which to prepare the form after OMB's recommendation for an agency resurvey was agreed to. Consequently, in an effort to get the program under way quickly after more than two months of delay, the quality of the survey was sacrificed to expediency.

However, that EDA did not use the two months made available by the rescission request to upgrade its proposed allocation procedure is a far more critical shortfall. Admittedly, the initial procedure had to be developed quickly, to enable the program to move forward in line with the time constraints of the legislation, and its deficiencies could be overlooked considering the emergency nature of the Title X Program. This procedure was based on providing block allocations to departments and agencies and allowing them to select projects for funding.

EDA's approach was criticized during the March hearings of the Senate Subcommittee on Economic Development, at which several subcommittee members expressed dissatisfaction with the block allocation concept. The prevailing sentiment was that the Departments of Commerce and Labor should review the proposals and make allocations for specific projects; this approach was the one later articulated by OMB and approved by the Secretary of Commerce,

and the one that EDA eventually developed and used.* Had EDA been responsive to the subcommittee's criticisms when they were made -- or even better, on its own volition reexamined the allocation approach during the rescission's 45-day waiting period -- allocation and subsequent obligation of the first Title X funds could have been made several weeks earlier than they were.

In response to this criticism, EDA's Title X Coordinator stated that, as a result of his being the only full-time professional staff person assigned to the Title X Program and the demands made on his time by other activities, he had neither the time nor the resources to examine and possibly revise the allocation approach prior to OMB's intervention. (The Title X Coordinator was also responsible for reviewing the project proposals submitted by the Federal departments and agencies and for acting as coordinator for a second new EDA program -- the Title IX Special Economic Development and Adjustment Assistance Program.) Although this explanation is acceptable insofar as it may account for the Coordinator's inaction, it indicates that EDA top management and the Office of the Secretary of Commerce did not place sufficiently high priority on the program.

Second Appropriation: EDA's performance in allocating the second appropriation, like that for the first, was largely satisfactory. Again, although the time constraints of the Title X legislation were clearly inoperative, EDA attempted to comply with the intent of the requirements by initiating and completing the agency survey quickly and by making the allocation as soon as feasible thereafter. There were, however, several shortfalls in EDA's performance, although the reasons for these cannot be attributed to EDA alone; specifically:

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- * - In the opinion of EDA's Title X Coordinator, the revised procedure did, in fact, represent an improvement over that initially developed by EDA, and probably reduced the time that otherwise would have been required to select projects and obligate funds.

- The agencies were given only a relatively short time to prepare their survey responses.
- The instructions provided to the agencies for use with the survey forms were again inadequate, resulting in a large number of errors in the responses, and creating problems in processing.
- The practices surrounding EDA's allocation of supplementary funds are subject to question.

With regard to the first deficiency, EDA maintains that it was prepared to begin the agency survey as soon as apportionment was made, but that its initiation was delayed by three weeks as the result of the discussions between OMB and the Office of the Secretary of Commerce regarding changes in program administration. To compensate for this delay, EDA reduced the time allowed for the agencies to prepare their survey responses from five weeks (as for the first appropriation) to just over three weeks. Thus, although EDA was attempting to make up for time lost as the result of the actions of others involved in the Title X Program, it received the majority of the criticism later leveled by the agencies regarding the shortened time allowed for responses.

The first real criticism that can be made of EDA's performance during the second appropriation period concerns the agency survey forms. Although EDA had redesigned the form used for the first appropriation in an attempt to remedy deficiencies, the principal problem with the original form -- the lack of adequate instructions -- was not substantially corrected, as evidenced by the fact that all but five of the 9,611 forms received had to be returned to the submitting agencies for correction. Some of the blame for the high incidence of error can, of course, be attributed to the haste with which the agencies prepared their initial responses. However, the nature of the errors made by most respondents indicates that they did not have a sufficient understanding of the questions asked.

Further, because EDA received more than double the volume of responses it had anticipated, the Agency's processing capabilities were immediately overloaded. Thus, forms processing took longer than had been planned (six weeks as opposed to four), although it is difficult to distinguish between delays resulting from the large number of required corrections and those resulting from the

unexpected volume alone. On balance, the problem of volume stemmed principally from the decision of OMB and the Office of the Secretary to abandon the use of planning ranges, as had been used for the first appropriation to imply a restriction on agency submissions. Because EDA had correctly predicted that the effect of not using planning ranges would be a substantially increased number of submissions, it should have been adequately prepared to process whatever volume of proposals it received.

The second major area of criticism concerns EDA's performance in making the supplementary allocations for the second appropriation, and specifically, the Agency's decision to select predominantly EDA-sponsored projects for this allocation in an effort to have funds obligated and transferred as quickly as possible. Two specific criticisms are warranted:

- First, the fact that a large proportion of second appropriation projects had their funds obligated on December 30 and 31 indicates that the normal obligation process was circumvented. Although expediting the process in the interest of program delivery was in keeping with the nature of Title X, considering the haste with which proposals were prepared for the second appropriation and the large supplementary allocation available after the second allocation, it may be possible that the abbreviated obligation process allowed the funding of otherwise unsatisfactory projects in an attempt to meet the December 31 deadline for funds obligation rather than forfeit program funds.
- Second, the fact that the data file on supplementary projects receiving funds could not be reconciled with the formal, itemized statements of approved projects (neither in total number of approved projects nor in dollar amounts involved) suggests that satisfactory records were not kept in this final phase of the program.

Department of Labor

First Appropriation: The early efforts of the Department of Labor to assist the Secretary of Commerce in implementing Title X were largely unproductive and bore little relation to the requirements of the program. Specifically:

- Labor's contribution to the mandated joint Commerce/Labor review of Title X proposals and determination that the proposed projects satisfied all Title X requirements was of little consequence.
- Labor failed to meet its obligation of supplying EDA with usable unemployment data in a timely manner for determining areas eligible for assistance and the severity of their unemployment problems.

Concerning the joint Commerce/Labor review activities, Labor's only contribution to Commerce's attempts to develop program guidelines was to offer a proposal that represented a subordination of the basic mechanism of Title X and would have required an inordinate amount of time to undertake. The Labor proposal, which would have had its CETA prime sponsors select all projects and be the recipients of all Title X grants, was formally presented to Commerce on three occasions between January 28 and February 14. Although the Secretary of Commerce was critical of this proposal, and so informed the Secretary of Labor, the Secretary of Labor did not respond to the criticisms.

Moreover, while staff personnel from the two departments were working on the development of implementation procedures for the Title X Program, Labor's efforts here also were directed principally at convincing Commerce to accept the CETA-sponsor approach. It was only after Labor's fourth and again unsuccessful attempt (made in April) to have its proposed approach adopted, that meaningful discussions between Labor and EDA staff were held. And at that point, much of the decision-making process had been completed, reducing Labor's role to one of reviewing program components already necessarily developed by EDA staff.

Further, the Department of Labor chose not to physically participate in the selection of projects. Instead, to satisfy the legislative requirement for joint Commerce/Labor review and determination of project acceptability, the Secretary of Labor elected to review an EDA-prepared listing of the projects to be funded for the first appropriation.

Aside from the disagreement over how Title X funds should have been used and Labor's subsequent lack of a significant contribution to initiating the program, the

underlying issue appears to be whether the two departments should have been required to jointly agree on the program's definition and direction. It will be remembered that the funds appropriated for the Title X Program would otherwise have been appropriated for the CETA program, and that the President and OMB had asked that the Title X appropriation be returned for use under CETA. Additionally, although the Title X legislation did not specify the types of job-creating programs to be sponsored -- i.e., public service versus public works -- it was enacted with a provision that first priority in project selection be given to the most labor-intensive projects, clearly a bias favoring Labor's CETA program. Thus, it is not surprising that Labor attempted to make the program a source of support for CETA projects. Also, given the program's origin as a floor amendment to a bill amending CETA's authorizing legislation, Labor's proprietary approach to the program can be better understood.

In fact, the two programs -- CETA and Title X -- were intended to be different and distinct, even though their projects have the common goal of creating jobs. Thus, joint decision-making activities should not have been included as provisions of the Title X legislation. In addition, in approving the labor-intensity provision, Title X's sponsors approved a strong bias against the public works type projects they envisioned, thereby creating a significant source of conflict regarding the purpose of the Title X Program. Although the sponsors of Title X may have considered inclusion of these provisions as merely concessions made to allow the program's enactment, the effect was a substantial amount of counter-productive effort by the Departments of Commerce and Labor.

With regard to Labor's obligation to supply unemployment data, it has been noted that Labor was unable to provide EDA with county-based information regarding area unemployment, as EDA officials reported it promised to do. Instead, Labor supplied CETA data, which were inappropriate for EDA use. In addition, the length of time required for Labor to accumulate the data and the associated geographic definitions, and to make these data available to an outside user (in this case, EDA received the geographic definitions required to use the data only after four months), logically preclude their use in an emergency, countercyclical program. Programs such as Title X clearly require current unemployment data in a usable format.

Second Appropriation: In discharging its joint responsibilities with Commerce in making the second allocation, Labor's performance was satisfactory. Labor's comments concerning revisions to the proposal screening criteria were constructive (although still reflecting Labor's preference for labor-intensive public service jobs projects), and its overall approach to joint responsibilities was one of cooperation.

However, the CETA unemployment data again proved to be a problem, and Labor failed to make any contribution in this regard, in spite of its mandate to do so. Again, this problem stems principally from the nature of the data maintained by Labor and the difficulty of trying to use these data in non-CETA applications.

Office of the Secretary of Commerce

First Appropriation: The performance of the Office of the Secretary during the first appropriation period was deficient in some respects:

- First, although it was EDA's legislation that was affected by the enactment of Title X, and although the authors of Title X envisioned that EDA would have responsibility for program implementation, the Office of the Secretary granted OMB's request that program authority be retained within the Office of the Secretary, rather than being delegated to EDA. As a result, EDA had operating responsibility for all aspects of the program (i.e., for developing guidelines, regulations, procedures, and a preliminary allocation mechanism), but these activities were carried out for the Secretary's review and approval; EDA had no program authority. In light of these considerations, any criticism made of Commerce's implementation of the first allocation must be attributed not only to EDA, but to the Office of the Secretary as well.
- Second, because it had program authority, the Office of the Secretary should not have allowed EDA's initial allocation procedure -- which was later judged unsatisfactory -- to remain unchanged throughout the deferral/rescission period. The changes that were later made should have come at the instigation of this office, rather than from OMB.

- Third, as noted earlier, the Office of the Secretary and top EDA management did not place sufficiently high priority on the Title X Program, as evidenced by the fact that a single person was assigned simultaneous responsibility for coordinating the Title X and Title IX Programs, without having adequate staff support. Had responsibility for the two new programs been assigned to different persons, and had additional clerical and/or professional staff been assigned to the Title X Program (if only to review the thousands of potential projects being proposed), a reasonable distribution of work could have been achieved. This would have made it possible for the Title X Coordinator to review the proposed allocation procedure and perhaps have initiated changes along the lines of those later required by OMB. By not placing higher priority on Title X, and by not assigning sufficient staff for the implementation of this program, the Office of the Secretary and EDA's Assistant Secretary contributed substantially to the delay in allocation associated with OMB's April revision of the allocation procedure.

Second Appropriation: The major criticism to be leveled against the Office of the Secretary for the second appropriation is that it did not attempt to play a strong role in administering the program. Admittedly, this in part may have reflected the Secretary's desire to delegate program authority to the Assistant Secretary for Economic Development, a desire in which OMB concurred only after the Secretary agreed to retain an oversight role until all details regarding the allocation had been decided.

However, the delegation of program authority did not take place until late September. Thus, until that time, the Office of the Secretary still had program authority and, as such, should have taken steps to insure the effective implementation of the program. Specifically, it should have offered opposition to OMB with regard to that agency's proposals for abandoning planning ranges, assigning a heavier weight to the "Title X cost of creating a man-month of employment" criterion, and including the acceleration criterion. As discussed in the following subsection, the first two of these criticisms resulted in the Title X Program's having a bias toward public service jobs projects that was contrary to the intent of the Title X legislation.

Office of Management and Budget

First Appropriation: Overall, OMB's posture regarding the Title X Program during the first appropriation period can be characterized as an attempt to subvert the intent of the Title X legislation. This is evidenced by several actions on OMB's part, including:

- Having allocation approval authority for Title X retained in the Office of the Secretary of Commerce.
- Requesting the deferral of Title X funds for use under Labor's CETA program.
- Introducing changes in the allocation procedure only shortly before the time of apportionment.
- Attaching six conditions to the apportionment.

OMB began its efforts to prevent EDA from having explicit administrative control over the Title X Program even before the legislation was signed, by requesting that the Secretary of Commerce, by special exception, retain authority for approving Title X allocations rather than delegating this authority to the Assistant Secretary for Economic Development (as would normally be the case for an EDA program). OMB's rationale for making the request was that it feared that EDA would favor its own projects in making the allocations and would thereby include predominantly public works projects, to which OMB was opposed, rather than the public service jobs projects it favored. Further, although OMB believed itself to be the agency best qualified to make the Title X allocations, it realized that this was impractical; thus, it believed it could best influence program decisions if it dealt with the Secretary of Commerce, rather than with EDA.

The Administration and OMB also indicated their desire for change in the program at the time the Title X legislation was signed, with the President's issuance of a statement that he wished to see Title X's funding used to create jobs within the Department of Labor's CETA program. This position was reiterated when OMB formally requested that the use of Title X's budget authority be deferred until the funds were restored to Labor for use in creating public service jobs projects. (This deferral request, it will be recalled, was later reclassified as a rescission

by the Comptroller General.) Congress did not act on the rescission request (allowing it to expire), thereby forcing OMB to apportion the funds to Commerce. The effect of OMB's request was to delay apportionment until one month after the legislatively specified deadline for funds allocation.

Additionally, shortly before apportionment was to be made, OMB introduced yet another delay in the allocation process through its recommendation (with the concurrence of the Secretary of Commerce) that the allocation procedure proposed by EDA be revised.

- First, OMB expressed its opposition to EDA's basic allocation mechanism -- block grants to agencies, based on the volume of their initial proposal submissions, with agencies selecting specific projects. Instead, OMB recommended a mechanism based on individual selection of projects. This recommendation had the effect of centralizing project authority in the Office of the Secretary of Commerce, thereby giving OMB more influence in project selection. In addition to allowing greater control over the selection of projects to be undertaken by other departments and agencies, OMB's action enabled the Secretary of Commerce to also retain selection authority over projects undertaken by EDA. Because EDA had been a major submitter of proposals and, under its allocation scheme, would have been entitled to a major block of funds for use in public works projects, OMB's revisions implied a reduction in the chances that EDA-sponsored public works projects would be funded.
- Second, OMB attempted to persuade the Secretary of Commerce to alter the Title X project selection process, replacing the five criteria proposed by EDA with only two -- area unemployment rate (which EDA had included) and the Title X cost of creating a man-year of employment (which was introduced by OMB). OMB further proposed that the latter criterion be assigned a point value of 75 out of a possible total of 100 points for project ranking. Had Commerce accepted this proposal, the effect would have been to give highly labor-intensive

public service jobs projects a decided advantage over less labor-intensive public works projects. Although the Secretary of Commerce agreed to accept the OMB-proposed criterion only as additional to those proposed by EDA, it still had some effect in favoring public service jobs projects.

Overall, OMB's recommendations regarding changes in the allocation procedure served to delay allocation by yet another two months. Had OMB made its dissatisfaction with EDA's allocation procedure known at an earlier date, the delaying effects of its revision request could have been minimized.

OMB's final effort to weaken EDA's administrative role with regard to Title X was its attachment of six conditions to the Title X apportionment. It will be recalled that the Department of Commerce found three of these conditions acceptable, since they constituted no more than restatements of provisions already contained in Title X or were within the authority of OMB. The remaining three conditions -- particularly the condition that OMB review all proposals prior to funds allocation to insure that the submitting agencies had adequate staff to administer the funds, and the condition that no program or category of projects would receive Title X funds unless it was in the President's 1976 budget request or specifically approved in advance by OMB -- were considered by Commerce's General Counsel as operating contrary to the Title X legislation. It was only after two months that OMB, under pressure to have the Title X Program get under way, agreed to abolish the three conditions found objectionable by Commerce.

Although OMB's rationale again appears consistent with its previous attitude toward the Title X Program and its efforts to abolish it, had Commerce not offered strong opposition to these conditions, and had they not been withdrawn by OMB, OMB would have acquired substantial authority over project selection and, consequently, over program direction. Further, if under those circumstances OMB had objected to projects selected by EDA and Commerce on the basis of Presidential unacceptability or inadequate agency staffing, Commerce would have been without recourse to OMB's findings; thus, for the sake of program expediency, Commerce would have been forced to accept whatever substitute projects OMB might have offered.

In sum, it must be concluded that OMB, on behalf of the Administration and through the Office of the Secretary of Commerce, consistently intervened in and attempted to manipulate implementation of the Title X Program during the initial appropriation period so as to insure that EDA could not assume the role of principal program administrator and to redirect the program toward public service jobs projects. The effect of these efforts was to delay the first allocation of funds by three months -- from the legislatively imposed deadline for allocation of March 16, until June 18. Such a delay clearly was in conflict with the emergency nature of the Title X Program.

Second Appropriation: During the second appropriation period, OMB again attempted to work contrary to the purpose of the Title X legislation, in this case by:

- Initiating discussions regarding changes in the allocation process that served to reduce the time available for the various activities associated with the allocation and to delay the allocation itself.
- Again attempting to alter the orientation of Title X in favor of public service jobs projects, this time with far greater success than experienced during the first appropriation period.

Immediately following apportionment -- which was made by OMB almost one month after the bill authorizing continuation of Title X had been signed -- OMB initiated discussions with the Office of the Secretary regarding changes it (OMB) proposed for the Title X Program. Specifically, as discussed in the program summary presented earlier, OMB recommended: (1) that the number of project selection criteria be reduced; (2) that planning ranges not be used; (3) that only "accelerated" projects be funded, with the agency budgets for these projects subsequently being reduced by an amount equal to the Title X grants; and (4) that OMB provide guidance to the agencies in selecting appropriate projects (thereby precluding EDA from discouraging public service jobs projects).

Commerce/EDA took the position that the allocation process should remain essentially unchanged, and compromises on the issues were reached only after three weeks of discussion, and only then because Commerce took the

lead in making the compromises. Specifically, as also discussed in the Program Summary, it was agreed that the criteria used in making the first allocation would again be used, although, as a concession to OMB, the point value assigned to the Title X cost per man-month criterion was increased, while the values for two other criteria were reduced. Commerce also agreed that the acceleration criterion be included. Further, Commerce agreed to allow OMB to assume responsibility for insuring that the submitting agencies understood what kinds of projects were favored by the acceleration criterion and for assisting agencies in identifying appropriate projects.

As a result of these changes the following occurred:

- The initiation of the agency survey was delayed by three weeks while the discussions regarding the program changes were in process, resulting in a reduced amount of time eventually being allowed for the preparation of agency submissions. The large number of errors identified by EDA on the initial agency submissions can partially be attributed to the haste with which the agencies had to prepare their proposals.
- As a result of eliminating agency planning ranges, the number of proposals received greatly exceeded that anticipated, which resulted in an increased amount of time being required for proposal processing.
- The increased weight given to the cost per man-month criterion and the policy of not allowing EDA to discourage submission of proposals for public service jobs projects resulted in a large number of such projects being selected for funding.
- OMB was unable to manage the task of assisting agencies to identify accelerated projects, and it was not possible, given the time constraints of the program, to verify all claims made on the project submissions regarding acceleration.

RECOMMENDATIONS

On the basis of the foregoing, the following is recommended for consideration in an emergency, job-creating program such as Title X:

1. To avoid the delays and pitfalls associated with creating and implementing a new countercyclical employment program, legislation should be approved -- during a non-crisis period -- that establishes Federal policy and creates the program(s) deemed necessary to combat the problem. Likewise, program appropriations should be determined during a non-crisis period, and should be established so as to remain available until the anticipated emergency arises. To further insure that delays are bypassed, implementation of such a program should be automatic, occurring at a predetermined unemployment level during an upswing in the national unemployment cycle. (Although the Title X Program as revised in October 1976 contains a provision similar to this recommendation, Congress must still take separate action to appropriate program funds. Thus, the potential for delays similar to those experienced with the original legislation remain.)
2. An existing Federal agency should be charged with responsibility for developing and maintaining detailed guidelines and procedures for implementing future countercyclical employment programs, especially those created pursuant to the first recommendation.

Further, if it should prove to be infeasible to implement these recommendations before the need for a countercyclical employment program arises again, it is recommended that the following govern the administration of such a program.

3. Substantial emphasis should be placed on insuring that whatever survey instrument is used is as comprehensive and understandable as possible.
4. For a program involving joint departmental/agency administration, the roles of the key players should be clearly spelled out.
5. A realistic attitude should be taken with regard to getting accurate and timely unemployment data.

Automatic Establishment of Countercyclical Employment Programs

Examination of Exhibit 1 (provided in the Executive Summary) points to several considerations related to the timing of Title X:

- First, consideration of the Title X legislation began only after the average monthly unemployment rate stood at 5.5 percent.
- Second, at the time Title X was enacted, the average monthly unemployment rate stood at approximately 6.5 percent, and at the time the first appropriation for Title X was approved, at approximately 7 percent.
- Finally, between the date on which allocation of Title X funds was legislatively scheduled to be made (March 16, 1975) and the dates on which the allocations were actually made (June 18, 1975, and October 28, 1975), the average monthly unemployment rate was well in excess of 8 percent, even approaching 9 percent for a period of several months.

In sum, Title X was not proposed until after national unemployment was already a serious problem. Complicating matters was the fact that Title X was new legislation, authorizing a completely new program, and therefore required the development of new guidelines and administrative procedures, as well as the resolution of numerous policy issues. It will be recalled that the wording of the Title X legislation, as enacted, had been heavily compromised in committee by legislators favoring a different approach to Federal job creation; thus, the original intent of the Act was obscured. Also, the Administration and OMB were opposed to the job-creating approach envisioned by the authors of Title X. Thus, it is not surprising that interpretation of the provisions of Title X was subject to recurring conflicts and that program implementation was less than expeditious.*

* - Nevertheless, several persons associated with the implementation of Title X have stated that, in light of the program's legislative weaknesses, implementation took place with remarkable ease.

The Federal actors involved in Title X are not without blame for the problems encountered in implementing the program. But the root of these problems is the process that created the program. As examination of other countercyclical employment programs indicates, untimely legislative reaction to rising unemployment is not unique to Title X. Both the Accelerated Public Works Program and the Public Works Impact Program were implemented only after the unemployment rate had begun a slow but steady decline from its peak, rather than before or even during the period when unemployment was increasing.* Furthermore, if the exceptionally high unemployment associated with the 1974-1975 economic downturn had not continued as long as it did, Title X would have been a procyclical rather than a countercyclical program.

Attempting to instigate a new, emergency job-creating program (albeit, with improvements and refinements derived from earlier efforts), in the midst of the unemployment "emergency" the program is intended to ameliorate, is subject to many pitfalls; it should therefore be considered an unsound practice that is likely to minimize the program's chances of success. Although it can be argued that the problems in implementing Title X resulted primarily from the conflicting terms of the Act and its lack of clear purpose, these characteristics can be expected in legislation that must be enacted quickly, in the face of opposing points of view; the potential for future programs to contain similar or even more pronounced such weaknesses remains. For this reason, as well as in the interest of expeditious program implementation, it is recommended that an automatic countercyclical employment program be established.

Given that high cyclical unemployment has been a recurring national problem and that numerous difficulties are inherent in initiating any new national level program, it seems only logical that programs intended to remedy cyclical high unemployment should be formulated during non-unemployment crisis periods. This would allow

* - An Evaluation of the Public Works Impact Program (PWIP), Final Report, January 1975, U.S. Department of Commerce, Economic Development Administration, April 1975.

Careful examination of past experiences, resolution of conflicting approaches, and preparation of clearly defined legislation. After completion of these tasks, legislators could review and critique implementation schemes, including project selection and allocation tools and procedures, program guidelines, and internal agency mechanisms developed to accommodate the program.

To insure that such a program is fully capable of being implemented when required, without the need for congressional action (which carries the possibility of numerous delays and compromises), program appropriations should also be made during non-crisis periods and should be established so as to remain available until the anticipated emergency arises. Although provisions for supplementing appropriations should be established, and allocation of funds should be tied to indicators of problem severity and duration, standing appropriations should be sufficient to insure full program activation.

Automatic triggering of such a program should logically be tied to selected leading economic indicators as early signals of a possible rise in unemployment, as well as to the national unemployment rate, itself a coincident-to-lagging indicator.* It is recognized that, by the time the national unemployment rate reaches a level where it is acknowledged as indicating widespread distress, it

* - Unemployment is often a lagging indicator of the level of national economic activity. An alternative "trigger" mechanism for implementing such a program could be gross national product. According to a Congressional Budget Office study (Temporary Measures to Stimulate Employment: An Evaluation of Some Alternatives, 1975), "during previous post-World War II recessions, the high point in the unemployment rate occurred, on average, three months after the low point in real GNP." The disadvantage with using GNP is that GNP data are available on a quarterly basis, whereas unemployment estimates are available for the previous month by the end of the first week of the following month.

may be too late to prevent a significant economic downturn. Nevertheless, automatic implementation offers the advantage of rapid response once the established threshold has been crossed. If the Title X Program had employed such a feature and been enacted earlier, it could have been automatically activated in June or July of 1974, when national unemployment first rose above 5 percent. And Title X funds could have been creating jobs for the unemployed by November 1974.

Although considerable debate can be expected to be associated with which indicators (both leading and coincident) to monitor, and specifically regarding the thresholds for the indicators used, consideration should be given to establishing a predetermined unemployment rate that would act as a trigger for a countercyclical employment program. This feature would result in the demand for labor generated by the countercyclical program coinciding with rising unemployment, rather than with declining unemployment.

Selecting a predetermined unemployment rate at which to automatically initiate a countercyclical employment program admittedly would be extremely difficult, and the issue of what constitutes a level of unemployment warranting government intervention could be expected to be the subject of considerable controversy. Seasonally adjusted national unemployment data by month (available on a consistent basis since January 1948) show that, when national unemployment equals or exceeds 5 percent for 2 consecutive months, unemployment tends to increase and remain above 5 percent for lengthy periods, with only minor monthly interruptions. Likewise, when national unemployment declines below 5 percent for 2 consecutive months, national unemployment tends to remain below the

5 percent level for an extended period. A 6 percent unemployment rate exhibits a pattern similar to that for the 5 percent rate.*

Regardless of the unemployment rate selected to trigger a countercyclical employment program, the issue is expanding employment when unemployment is increasing and decreasing employment when unemployment starts declining. And the critical factor is the unemployment trend in the national economy. Available data indicate that, once an upswing in unemployment commences, it is generally sustained. Thus, a consensus must be reached on defining an unacceptably high unemployment rate and a commitment must be made to initiating a program within a relatively short time so as to provide employment opportunities to the unemployed when they are most needed.

* - Unemployment data provided by the Bureau of Labor Statistics ("Unemployment Rates -- All Civilian Workers") for all civilian workers show four unemployment cycles since January 1948 that commenced with monthly unemployment rates above 5 percent. The first began in March 1949 and lasted 17 months, until July 1950, with average monthly unemployment during the period at 6.2 percent. The second began in February 1954 and lasted 11 months, until December 1954, with average monthly unemployment at 5.7 percent. The third began in November 1957 and lasted 88 months, until February 1965, with average monthly unemployment at 5.8 percent. (During this period, four non-consecutive monthly rates were slightly below 5 percent.) Finally, the most recent upsurge above 5 percent began in January 1974 and remains considerably above the 5 percent level at the present time (November 1976), more than 35 months after the most recent recession began. Using a 6 percent unemployment rate for triggering an accelerated public works program also indicates four periods during which such a program would have been implemented.

Planning for Countercyclical Employment Programs

As a component of an automatically initiated countercyclical employment program, and as part of an effort to avoid the start-up difficulties associated with a new program, it is essential that an existing Federal agency be charged with responsibility for developing and maintaining plans for implementing such a program in the future. The activities to be carried out as part of this function would include:

- Monitoring area unemployment (county and labor market) on a continuing basis.
- Developing an ongoing inventory file of activities appropriate for such a program.
- Developing guidelines for implementing and monitoring such a program to insure its expeditious implementation.

The need for having available timely and appropriately formatted substate unemployment data for use in countercyclical employment programs has been discussed in detail in various sections of this report. It should be added here, however, that developing a capability for automatically implementing such a program (and insuring that the program is directed at areas hardest hit by unemployment) underscores the importance of having usable data on hand when needed.

Maintaining an ongoing inventory file of appropriate Federal, state, and local government projects would serve two important purposes. First, having a backlog of projects on hand would facilitate rapid program implementation, while retaining the desirable interagency survey aspects of Title X and eliminating the problems of having to conduct a hasty agency survey. By continuously adding new projects to the file and deleting projects that had already been started, the time required to survey the agencies would be eliminated, since proposals accepted into the

inventory would be tentatively approved on a "stand-by" basis.* Second, the administering agency would have sufficient time to insure that projects selected had the characteristics sought by the enabling legislation and were capable of providing maximum employment opportunities for the unemployed in the target areas.

Finally, having the administering agency formulate a program structure and proposal selection criteria and guidelines in advance -- to insure that projects conform with the requirements of the enabling legislation and have maximum impact on unemployment -- would eliminate the delays and problems associated with such activities in the implementation of Title X. Other requirements -- such as insuring consistency with local development plans, obtaining environmental impact statements, and formulating the terms and conditions for grant recipients -- could also be specified in advance, again avoiding sources of delay present in the Title X Program.

Survey Instrument

The basic mechanism of the Title X Act -- the survey by all Federal departments, agencies, and regional commissions -- was, as the Administration stated, unwieldy

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- * - Special consideration might be given to accumulating an inventory of projects from local jurisdictions. Typically, during their annual budget-making process, local governments establish prioritized lists of projects they wish to undertake. More often than not, budgets are frequently not sufficient to permit all of these activities to be undertaken, leaving many projects unfunded until the following or even later years. Proposals for such "unfundable" priority projects might be forwarded to the regional office of a Federal agency, where they would become part of a project inventory. Screening and review could be accomplished at the time the proposals were received, and any restrictions concerning capital and/or labor intensity could also be applied. This regional inventory could be continually updated as jurisdictions completed their budget cycles, deleting projects accomplished and adding those currently anticipated.

and difficult to properly implement, particularly considering the time constraints imposed by the legislation. As a result of the strict time requirements for conducting the survey and the resultant hasty preparation of proposals, the information provided to EDA regarding proposed projects was somewhat unreliable and could not be verified.

Additionally, again as the result of time constraints, the survey form was the only project documentation that reasonably could be required. Thus, it was possible for projects to be selected that had little or no chance of being successfully undertaken -- a conclusion that could not be reached with the information provided. This was evidenced by the more than \$2 million in second appropriation projects that were withdrawn in mid-December 1975 and the additional \$900,000 presumably made available as the result of further withdrawals toward the end of the program's authorization.

Overall, then, although EDA's performance in implementing the survey was commendable under the circumstances, using a survey as the basic mechanism for selecting job-creating projects appears undesirable unless such a mechanism is considerably strengthened over that used for Title X. Specific ways in which this might be done would include:

- Providing detailed and specific instructions that clearly indicate the information sought by each question.
- Phrasing questions precisely.
- Insuring that each question seeks only one response.
- Making maximum use of multiple choice responses to avoid the difficulties of attempting to understand and compare responses to open-ended questions.
- Carrying out conscientious pretesting of the survey instrument prior to general use.

If it is felt that it is not possible to create a satisfactory survey instrument, it would then appear to be in the interest of expeditious program implementation to have the authorizing legislation identify the agencies

and departments to be included in the program and assign to them responsibility for implementing whatever job-creating programs and projects are at their disposal for immediate implementation.

Joint Administration

When legislation is being prepared for a program that is to be undertaken quickly and expeditiously, provisions for joint administration by agencies having different and potentially competing missions should be avoided. (The Title X Program, as revised in October 1976, acknowledges this problem area in the earlier program by omitting the Secretary of Labor from all sections of the Act that formerly called for joint administration and, instead, gives the Secretary of Commerce complete responsibility for program administration.) If joint administration should become a practical necessity for approval of a program (as appears to have been the case for Title X), the roles and respective limitations of the administrators should be clearly defined, and provisions should be made for resolving differences of opinion. Such measures could include provisions within an act that allow one of the joint administrators to assume overriding authority after a reasonable attempt at joint administration has been made, or provisions requiring that serious policy disputes be settled through appropriate committee or subcommittee hearings.

In addition, for joint administration to be feasible where potentially competing administrators are involved, the goals of the program under consideration should be clearly spelled out, so that there is no room for disputes such as that regarding public works versus public service jobs projects that took place in administering Title X.

Unemployment Data

The Department of Labor's CETA-oriented data proved to be the source of a recurring problem in the allocation of Title X funds. This issue has broader applicability and should be considered in a broader context.

Specifically, if Federal programs that are intended to relieve conditions of unacceptably high levels of unemployment are to be directed to the areas of greatest need, it is imperative that uniform and timely substate unemployment statistics be maintained on a regular basis

and be readily available. As shown by the experience with Title X, such data must be available for recognizable geographic areas (probably counties) to permit their ready use.

Although it appears that there was little alternative to EDA's practice of telephoning state employment security offices, a more viable alternative should be made available. Moreover, as a result of Exhibit "J" of OMB Circular A-46, promulgated December 22, 1975, which establishes the Department of Labor as the source of all unemployment data for Federal purposes, even the option used by EDA becomes infeasible, further warranting that a viable alternative solution be sought.

APPENDIX A

STUDY METHODOLOGY

In carrying out this evaluation, the following methodology was employed. The history and contents of the Title X legislation were thoroughly reviewed, and both majority and minority staff members of the Subcommittee on Economic Development were interviewed to gain background information not contained in the program's legislative history. In addition, transcripts of hearings held subsequent to Title X's approval were reviewed, as were subsequent appropriation measures and their accompanying statements.

Information related to the program's administration was gathered in much the same manner. Specifically, the records of EDA's Executive Secretariat were examined for all Title X related information, as were the records of the individual who served as Title X Coordinator for EDA and of personnel within the Office of the Secretary of Commerce. Following this, extensive personal interviews were conducted with the EDA Title X Coordinator, several representatives of the Office of the Secretary of Commerce, various EDA division chiefs, and a former OMB official who was involved in the implementation of Title X on behalf of that office.

The following pages provide a summary of the correspondence and documents reviewed, as well as the persons interviewed, in carrying out this evaluation.

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Congressional Record - Senate, S.4079, (Emergency Public Service Employment Act of 1974 introduced); October 2, 1974.

Congressional Record - Senate, S.4079 (Special Employment Assistance Act of 1974; Title III, Job Opportunities Program introduced); December 12, 1974.

Congressional Record - Senate, S.4079 (Special Employment Assistance Act of 1974 - Conference Report); December 18, 1974.

"Continuing Appropriations, 1976," Senate Report No. 94-201, to accompany House Joint Resolution 499; June 18, 1975.

"Deferral of Budget Authority," (Report Pursuant to Sec. 1013 of P.L.93-344) Deferral No.: D75-141, Job Opportunities Program; January 30, 1975.

Department Organization Order 10-4, Amendment 1, from the Secretary of Commerce; subject - Assistant Secretary for Economic Development, March 6, 1975.

Department Organization Order 10-4, from the Secretary of Commerce; subject - Assistant Secretary for Economic Development; September 30, 1975.

"Emergency Employment Appropriation Act, 1975," Senate Report No. 94-91, to accompany H.R.4481; April 22, 1975.

Instruction on Budget Execution, Section 44.6, Action by OMB, July 1971.

Office of the White House Press Secretary, message to the House of Representatives; return of H.R.4481, the Emergency Employment Appropriation Act, without approval; May 29, 1975.

Presidential Documents: Gerald R. Ford, 1975, Volume 11 - Number 1; Statement by the President upon signing H.R.16596 and H.R.17597 into Law; December 31, 1974.

Public Law 93-624, 93rd Congress, House Joint Resolution 180, Joint Resolution - making urgent supplemental appropriations for the fiscal year ending June 30, 1975, and for other purposes, January 3, 1975.

"Public Service Employment," Conference Report No. 93-1621, to accompany H.R.16596, December 17, 1974.

"Release of Funds for the Job Opportunities Program," Communication from the President of the United States; April 16, 1975.

"Review of Proposed Rescissions and Deferrals of Budget Authority; Communication from the Acting Comptroller General of the United States," referred to the Committee on Appropriations and ordered to be printed February 17, 1975.

Status and Implementation of Title X "Job Opportunities Program" of the Public Works and Economic Development Act of 1965, as amended (94-15): Hearing Before the Subcommittee on Economic Development of the Committee on Public Works and Transportation, House of Representatives, 94th Congress, First Session: March 11, 1975.

Title X of the Public Works and Economic Development Act: Oversight Hearing Before the Subcommittee on Economic Development of the Committee on Public Works, United States Senate, 94th Congress, First Session, Serial No. 94-H29; November 5, 1975.

PERSONAL INTERVIEWS

- Assistant Secretary for Administration, Office of the Secretary, Department of Commerce, April 7, 1976.
- Chief, Accounting Division, Economic Development Administration, Department of Commerce, January 2, 1976.
- Chief, Applications Development and Data Services Branch, Information Systems and Services Division, Economic Development Administration, March 15, 1976, and March 16, 1976.
- Chief, Budget Division, Economic Development Administration, Department of Commerce, February 2, 1976.
- Chief, Information Systems and Services Division, Economic Development Administration, Department of Commerce, March 15, 1976, and March 16, 1976.
- Deputy Director, Office of Organization and Management Systems, Office of the Secretary, Department of Commerce, March 10, 1976.
- Director, Office of Policy and Planning, Employment and Training Administration, Department of Labor, March 14, 1977.
- Director, Office of Public Works, Economic Development Administration, Department of Commerce, February 10, 1976, and April 23, 1976.
- Executive Assistant to the Under Secretary, Office of the Secretary, Department of Commerce, April 5, 1976, April 8, 1976, and April 15, 1976.
- Former Chief of the Commerce Branch, Economics and General Government Division, Office of Management and Budget, Executive Office of the President, July 9, 1976.
- Special Assistant to the Assistant Secretary for Employment and Training, Department of Labor, March 14, 1977, and March 15, 1977.
- Staff member, Office of Organization and Management Systems, Office of the Assistant Secretary for Administration, Office of the Secretary, Department of Commerce, March 22, 1976.

Staff member representative of Senate majority, Subcommittee on Economic Development of the Committee on Public Works, Professional and Research Staff, United States Senate, March 19, 1976.

Staff member representative of Senate minority, Subcommittee on Economic Development of the Committee on Public Works, Professional and Research Staff, United States Senate, March 19, 1976.

Title X Coordinator, Economic Development Administration, Department of Commerce, December 11, 1975, January 22, 1976, January 23, 1976, January 28, 1976, January 30, 1976, February 3, 1976, February 17, 1976, April 6, 1976, April 9, 1976, June 14, 1976, June 16, 1976, June 18, 1976, and July 8, 1976.

APPENDIX B

CHRONOLOGICAL LISTING OF EVENTS AND DECISIONS INVOLVED IN THE ADMINISTRATION OF TITLE X

October 2, 1974	S.4079, a bill to amend the Comprehensive Employment Training Act, introduced in the Senate.
December 13, 1974	Job Opportunities Program introduced as a floor amendment to S. 4079; joint conference committee formed.
December 18, 1974	S.4079 reported out of committee; Senate approved compromise version of Job Opportunities Program.
December 19, 1974	S.4079 (H.R.16596) passed by the House of Representatives.
December 31, 1974	President signed Emergency Jobs and Unemployment Assistance Act, (S.4079, H.R.16596), which contained the Job Opportunities Program (Title X), into law.
January 4, 1975	Bill appropriating \$125 million for Job Opportunities Program signed by President.
January 28, 1975	Secretary of Commerce sent letters to heads of all the Federal departments, agencies, and regional commissions, reminding them of their responsibility to survey their programs for suitable projects and to submit their recommendations to the Secretary of Commerce.
January 31, 1975	President requested that funding for Title X be deferred until its appropriation was restored for use in CETA portions of Emergency Jobs and Unemployment Assistance Act.
February 5, 1975	Agency responses to survey requirement due at Department of Commerce.

February 14, 1975	Comptroller General reclassified deferral as a rescission request, giving Congress 45 days in which to confirm the request.
February 14, 1975	Expiration of 45 days allowed in legislation for completion of the survey by agencies.
March 6, 1975	Department Organizational Order amended to reserve the authority for making Title X allocations to Secretary of Commerce (instead of delegating it to Assistant Secretary for Economic Development, as it would normally be the case).
March 12, 1975	OMB decided that Department of Labor proposal to "piggyback" Title X's funding onto existing CETA programs was not an acceptable technique for allocating Title X funds; EDA's proposed block allocation approach accepted.
March 18, 1975	Expiration of 75 days allowed in legislation for allocation of funds. Due to President's rescission request, funds not made available until April 11, 1975.
April 2, 1975	OMB expressed concern that EDA would allocate Title X funds on the basis of incomplete project data and instructed EDA to notify agencies to re-survey their programs. In addition, Department of Commerce was to individually review all project proposals and select those that best satisfied requirements of legislation. Thus, OMB revised allocation mechanism.
April 8, 1975	Secretary of Commerce sent a letter to Federal departments, agencies, and regional commissions, asking them to re-survey their activities and submit project proposals on standardized re-

porting forms supplied by Department of Commerce (Form SEC 887).

April 11, 1975

OMB apportioned first Title X appropriation to Commerce, attaching six conditions to the apportionment governing the allocation of funds.

April 30, 1975

Project proposals (Form SEC-887) due at Department of Commerce.

May 2, 1975

Secretaries of Commerce and Labor reached agreement on the required joint review criteria.

First week in May 1975

EDA decided on procedure to rank project proposals for selection.

First week in May 1975

EDA received Department of Labor-supplied CETA area unemployment rate data; necessary geographical descriptions of these areas not supplied.

May 28, 1975

List of tentatively selected projects sent to Department of Labor for review and approval.

May 29, 1975

Second Title X appropriation (\$375 million) vetoed by President.

May 30, 1975

EDA received listing of CETA areas that described their geographic boundaries.

June 2, 1975

Secretary of Commerce requested Director of OMB to release the Department from six conditions imposed on Title X apportionment.

June 11, 1975

EDA completed Title X allocation and forwarded it to the Secretary of Commerce for final approval.

June 16, 1975

OMB received information copy of Title X allocations.

June 17, 1975	OMB formally agreed to withdraw the six conditions imposed on the apportionment (confirming verbal agreement of June 13).
June 18, 1975	Federal departments and agencies notified of allocations.
June 27, 1975	House Joint Resolution 499, containing second Title X appropriation (\$375 million), passed by Congress.
July 25, 1975	OMB apportioned second appropriation to Commerce.
July 25, 1975	Representatives of OMB met with Department of Commerce personnel to discuss revising allocation process.
August 18, 1975	Secretary of Commerce sent a letter to the Federal departments and agencies asking them to survey their activities and to submit project proposals.
September 10, 1975	Departments of Commerce and Labor agreed on joint review criteria to be applied to project proposals.
September 15, 1975	Deadline for agencies to return their project proposals.
September 30, 1975	Department Organizational Order revised to give EDA authority to allocate Title X funds.
October 15, 1975	Target date for EDA's announcement of second round allocations (see October 27).
October 27, 1975	EDA completed second round allocations.
October 28, 1975	Second round allocations announced.
December 31, 1975	Authorization to obligate Title X funds expired.

APPENDIX C

COMPARISON OF 1974 AND 1976 TITLE X LEGISLATION

On October 12, 1976, Public Law 94-487, amending the Public Works and Economic Development Act of 1965 and extending it for three years, was passed. As part of this Act, Title X -- Job Opportunities Program -- was modified and extended for three years. A section-by-section brief explanation of the changes made in the Act follows.

Section 1001, Statement of Purpose, was not altered.

Section 1002, Definitions, was amended such that, to be eligible for assistance, an area must have an unemployment rate of 7 percent or more (instead of 6.5 percent as formerly required), or must be designated as a CETA area and have an unemployment rate of 7 percent or more as well. EDA designated areas are no longer automatically included in the definition of an "eligible area."

Section 1003, Program Authorized, subsections (a) and (b) are not altered. Subsection (c), however, was altered such that the Secretary of Commerce is no longer authorized to initiate programs in eligible areas. Instead, the Secretary of Commerce is authorized to assist eligible areas in making applications for grants. (The reader will recall that it was the authority to initiate programs that the Secretary of Labor wished the Secretary of Commerce to use in converting the Title X Program into a supplement to the CETA program.)

Subsection (d) of Section 1003 is altered such that the Secretary of Commerce is no longer required to give priority consideration to the severity of area unemployment. However, language added to this subsection requires that the Secretary give priority to projects and programs that are most effective in creating productive employment, including skilled and permanent employment, and requires that measurement of the amount of such employment include both direct and indirect jobs. These revisions, however, do not resolve the earlier public works/public service dispute and offer little clarification regarding the types of projects sought.

Revisions to subsection (e) of Section 1003 eliminate two of the major sources of difficulty contained in the original Act; specifically, the Secretary of Labor no longer has a role in establishing project selection guidelines, and labor intensity has been eliminated as a consideration in project selection. (Removal of these two provisions eliminates, respectively, the source of the difficulties experienced with Labor and its efforts to divert Title X to CETA, and the basis of the argument for including public service jobs projects as Title X projects.) Instead, priority consideration is to be given to grant applications from areas having unemployment rates in excess of the national average; in turn, these areas are also to receive 70 percent of the funds appropriated. Unlike the original Act, this subsection establishes that a maximum of 15 percent of the funds appropriated be given to a single state and requires that no less than one-half of 1 percent (in aggregate) be allocated to Guam, the Virgin Islands, and American Samoa.

Section 1004, Program Review, contains several significant revisions:

Subsection (a) eliminates the Secretary of Labor's role in reviewing the proposals submitted for funding consideration. (The Secretary of Labor performed only a cursory review of the two major Title X allocations.) This subsection also gives the Secretary of Commerce an additional 15 days to select proposals for allocation and funding. Instead of the 30 days formerly allowed for proposal review, the revised Act allows 45 days, a period which the second major allocation indicated is necessary.

Subsection (b) (a new subsection) provides states and political subdivisions with authority to submit project proposals directly to Federal departments and agencies for endorsement and forwarding to the Secretary of Commerce. (Formerly, the Federal departments and agencies were to first solicit the proposals from the states and political subdivisions.) The effects of this change should be: (1) to slightly reduce the time required for proposal submission (states and political subdivisions followed much the same procedure during administration of the second Title X appropriation); and (2) to increase the number of proposals the Secretary of Commerce receives.

Subsection (c) (also a new subsection) requires that the Secretary of Commerce give priority consideration to programs and projects originally sponsored by states and political subdivisions, and permits funding of such programs that have been revised for Title X funding. Although these provisions may have been included for any of several reasons, they represent much the same rationale that the Department of Labor used in supporting its CETA supplement proposal.

Section 1005, Limitations on Use of Funds, as included in the original Act, has been removed. This section established that at least 50 percent of the Title X funds appropriated be spent on projects that were at least 75 percent labor intensive. Removal of this requirement thus eliminates all references to the labor intensity of Title X projects and the basis for any support for any future efforts to use Title X for predominantly public service jobs projects.

Section 1005, Rules and Regulations (as redesignated by the amendments), still requires that Title X funds be equitably distributed between urban and rural areas; however, language has been added that preempts this requirement if it would result in grants being made for projects that do not meet the criteria of the Act.

Section 1006, Authorization of Appropriations (as redesignated by the amendments), decreases Title X's authorization for a single fiscal year from the \$500 million originally allotted to \$325 million. In contrast to the original Act, authorizations are now incremental, with \$81.25 million allowed for every quarter in which the national average unemployment is 7 percent or more. Once funds have been appropriated, the 7 percent unemployment rate acts as a threshold for the Secretary's authority to make grants. That is, if unemployment drops below 7 percent, the Secretary's authority to make grants is suspended until the national average unemployment equals or exceeds an average of 7 percent for the most recent calendar quarter.

Section 1006 also contains new language that points out that Title X funds are authorized in addition to, not in lieu of, any other amounts authorized by law. This appears to address OMB's efforts to identify truly accelerated projects and thereby reduced agency budgets by amounts

equal to Title X grant amounts for such projects. Moreover, EDA's interpretation of this OMB proposal with regard to the purpose of Title X (i.e., Congress intended that additional money be spent through Title X, and OMB's proposal was therefore a subversion of that intent) is substantiated by this addition.

Section 1007, Authorization of Appropriations, as included in the original Act, has been removed, and its contents incorporated by the new amendments into Section 1006.

Section 1007, Termination Date (as redesignated by the amendments), eliminates December 31, 1975, as the termination date and identifies September 30, 1979, as the new termination date. This thus replaces what had been Section 1008 in the original Act.

Section 1008, Construction Costs (as redesignated by the amendments), provides that existing programs not be excluded from Title X funding consideration simply because of increased construction costs.

APPENDIX D

ORIGINAL FORM SEC-887

U.S. DEPARTMENT OF COMMERCE
OFFICE OF THE SECRETARY

INSTRUCTIONS FOR COMPLETING FORM SEC-887

This form is to be completed in duplicate by departments, agencies or regional commissions for any program, project or activity for which Title X funds are sought. The project as described herein will be measured against its compliance with the provisions of Title X of the PWEDA Act and the terms and conditions established by the Secretary of Commerce. The project will also be measured against those proposed by other agencies.

Since the data required to be reported on this form will be automated to facilitate the processing of this application, it is important that the appropriate reporting instructions be followed.

- * Begin this entry immediately under the asterisk.
- ** See below for this item or question.

Specific Instructions

For items on the Summary of Evaluation and Findings Title X observe the instructions listed below for each specific question that has been indicated by a ** (double asterisk).

Item 6a. Fill in the number Unemployed In Area - right justified; i.e., should the number be 624, the blocks would contain

6	2	4
92	93	

.

Item 6f. Fill in Unemployment Rate - right justified; i.e., should the rate be 8.2%, the blocks would contain

8	2	0
97	92	

. Omit the % sign.

Item 9a. Fill in Funding Amount - right justified; i.e., should the amount be \$125,768, the blocks would contain

1	2	5	7	6	8
48	97				

. Round all cents to nearest dollar. Omit all (\$) dollar and (,) comma signs.

Item 9b1. Write in Other Participating Agency Name.

Item 9b2. Same as 9a. above.

Item 9c. Same as 9a. above.

Item 9d. Same as 9a. above.

Item 9e. Same as 9a. above.

Item 9f. Same as 9a. above.

Item 10a. Fill in Number of Persons - right justified - same as 6c. Example above.

Item 10b. Fill in Expected Employment Percentage - right justified; i.e., should the rate be 8.2%, the blocks would contain

8
13 19

. Round all rates to the nearest whole number.

Item 10c. Fill in right justified - same as 6c. example.

Item 10d. Fill in right justified - same as 9a. example.

Item 10e. Fill in right justified - same as 9a. example.

Item 12. Fill in date as year, month, day; i.e., should the date be July 1, 1975, the block would contain

7	5	0	7	1
---	---	---	---	---

Item 13. Same as 12 above.

Item 14a. Same as 12 above.

Item 14b. Same as 12 above.

Item 16c. Should 16b. be YES, then fill in Date, starting in blocks 10 through 15. Refer to example in Question 12. above.

NOTE: Send original and one copy of completed form to:

Secretary of Commerce
Attention: Executive Secretariat
5425 Main Commerce Building
14th Street and Constitution Avenue, NW
Washington, D. C. 20230

(Suggest you use "certified, return receipt mail")

<p>FORM SEC-487 (4-75)</p> <p style="text-align: center;">SUMMARY OF EVALUATION AND FINDINGS TITLE X</p>	<p style="text-align: center;">U.S. DEPARTMENT OF COMMERCE OFFICE OF THE SECRETARY</p> <p style="text-align: center;">COMMERCE USE ONLY</p> <p>Serial No. </p>					
<p>1. Name of Department, Agency or Regional Commission</p>						
<p>COMMERCE USE ONLY</p> <p>1a. Agency Code</p> <div style="display: flex; justify-content: space-around;"> <div style="border: 1px solid black; padding: 2px; text-align: center;">0 1 6 7</div> <div style="border: 1px solid black; padding: 2px; text-align: center;">8 9</div> </div>	<p>2a. Agency Project Number or other symbol</p> <div style="border: 1px solid black; padding: 2px; text-align: center;"> 10 24 </div>	<p>COMMERCE USE ONLY</p> <p>2b. </p>				
<p>3. Will these funds be used directly by agency identified in line 1? Fill in "Y" for Yes, "N" for No. (If yes, skip line 4.)</p> <p>Y or N </p>						
<p>4. Form of financial assistance. Fill in "G" for Grant, "C" for Contract, "N" for Not Applicable</p> <p>G, C, or N </p>						
<p>5. Name and address of grantee or contractor</p> <p style="text-align: center;">Name</p> <p>a. 0 2 </p> <p style="text-align: center;">Street address</p> <p>b. 0 3 </p> <p style="text-align: center;">Further address information</p> <p>c. 0 4 </p>						
<p>6. Project location</p> <p style="text-align: center;">Print city name</p> <p>a. 0 5 </p> <p>b. Print county </p> <p>c. Print state </p> <p>d. Print congressional district </p>						
<p>COMMERCE USE ONLY</p>	<p>State code </p> <p>SIC code </p>	<p>County code </p> <p>EDA District code </p>	<p>City code </p>	<p>Congressional District code </p>	<p>EDA Area code </p>	<p>Growth ctr. </p>
<p>e. Unemployment in area (Number)</p> <div style="border: 1px solid black; padding: 2px; text-align: center;"> 82 86 </div>			<p>f. Unemployment rate</p> <div style="border: 1px solid black; padding: 2px; text-align: center;"> 87 82 </div>			
<p>g. General characteristics of unemployed labor force</p> <div style="border: 1px solid black; padding: 2px; text-align: center;"> 0 6 </div>						
<p>7. Short title of project</p> <div style="border: 1px solid black; padding: 2px; text-align: center;"> 0 7 </div>						
<p>8 a. Description of project work</p> <div style="border: 1px solid black; padding: 2px; text-align: center;"> 0 8 </div>						
<p>b. Description of labor skills involved</p> <div style="border: 1px solid black; padding: 2px; text-align: center;"> 0 9 </div>						

17. Legal authority for funding or carrying out this project

10 80

18. Signature, name, address and telephone number of responsible official (project officer, etc.) for this project from funding agency:

Signature

Name

Address

Phone

19. Signature, name and title of official with authority to approve this project and obligate proposed funds.

Signature

Name

Title

APPENDIX E

SECRETARIAL LETTER OF APRIL 8, 1975

April 8, 1975

Dear Mr. Secretary:

We appreciate your participation in our recent survey, conducted under the Title X Job Opportunities Program, to identify federal programs and projects that could be initiated or strengthened to expand or accelerate their job-creating impact in the areas that are eligible under this program.

Because we received about 18,000 proposals in response to that survey, with an aggregate cost far exceeding the total funds appropriated, we must now develop a priority ranking of the most promising projects. Accordingly, please review carefully the recommendations made by your agency in response to the survey, and recommend only those projects which can be funded within your agency's planning range of giving particular consideration in each case to--

- (a) the severity of unemployment in the area for which a project is proposed;
- (b) the labor intensiveness of the project;
- (c) the correlation between jobs that would be created by the project and the skills available in the area; and
- (d) the leverage to be realized by providing Title X funds for the project (i. e., the extent to which using Title X funds will enable a project otherwise under-funded to go forward by bridging the gap between the total project cost and the maximum amount of funds otherwise available).

In order to take the foregoing considerations fully into account, we ask that your evaluation follow the procedures set forth below. We are enclosing a copy of the form that will be used for the evaluation of these projects, as well as a listing of the areas eligible under Title X which shows the latest available Department of Labor information on the severity of unemployment.

2.

The procedures are as follows:

- (1) Tentatively select those projects which will maximize the impact of Title X funds in eligible areas that have the severest levels of unemployment.
- (2) Evaluate each project in light of the terms and conditions summarized above, and set forth in greater detail in an enclosure to this letter, which will apply to any funds transferred to your agency.
- (3) Document your evaluation on the enclosed form. Additional copies of the evaluation form are being printed and will be delivered to you as soon as possible.
- (4) Submit to the Secretary of Commerce no later than April 30 the evaluation forms and your recommendations concerning priorities for the use of Title X funds within the projected funding range of your agency.

When we receive your recommendations, they will be evaluated and compared with the projects proposed by other agencies. We will approve the most effective projects for funding and will transfer the necessary funds for those projects by June 1.

If you have any questions in this matter, you may want to discuss them directly with Mr. Nathan Maryn on 967-4615. Thank you for your continued cooperation in this matter.

Sincerely,

JOHN K. TABOR

ACTING Secretary of Commerce

Enclosures

APPENDIX F

RANKING AND SCORING PROCESS USED IN MAKING FIRST ALLOCATION

The process used by EDA for ranking and scoring proposals in making the first allocation was based on three legislative criteria -- labor intensity, job match, and area unemployment rate -- and three discretionary criteria -- leverage, indirect benefits, and cost effectiveness. As was noted in Chapter 3, the first of the two legislative criteria were, for scoring purposes, combined into a single criterion, "labor value." EDA's rationale for combining these criteria was based principally on the Agency's experience with its PWIP program. That is, evaluation of this program had indicated that increasingly higher labor-intensive projects and the composition of the project's labor requirements had significant effects on a project's impact on the unemployed. It was therefore believed that using a composite measure of labor intensity and skills requirements would have a greater impact on the unemployed population than using the two criteria separately.

The procedures used in assigning values to these and the other criteria are discussed in the following paragraphs.

SCORES

Labor Value

The basic source of data for determining the score assigned to this criterion was the agency survey form (SEC-387). However, because this form contained directly usable information on labor intensity and only partially usable information on a project's labor skills, the method derived for obtaining labor value was as follows:

1. A project's labor intensity was determined by dividing the project's total labor costs (from the SEC-887) by its total funds.
2. On the basis of the description of labor skills involved, and using PWIP-derived data, the appropriate unskilled labor requirements for

construction-type activities were determined and values were assigned as follows:

<u>Percentage of Unskilled Labor</u>	<u>Point Value</u>
less than 20%	1
20% to 40%	2
40% to 60%	3
60% to 80%	4
80% or greater	5

A similar procedure was followed for non-construction-type activities. On the basis of professional judgment, the general characteristics of the unemployed labor force (taken from information contained on the SEC-887) were compared with the description of the project's skill requirements (also from the SEC-887), and values were assigned as follows:

<u>Similarity Between Labor Requirements and Unemployed Labor Force</u>	<u>Point Value</u>
Highly similar	5
Similar	4
Moderate comparison	3
Less than moderate comparison	2
Potential mismatch	1

3. The labor value score was then obtained by multiplying the labor intensity as determined in Step 1 by the value derived in Step 2.

The resulting value was assigned a policy weight of 10. (Since each of the three legislative criteria was to receive a policy weight of 5, this criterion received a policy weight equal to the sum of the two policy weights involved.)

Area Unemployment Rate

Initially, it was proposed that categories be established with 2-point intervals (starting at 6.5 percent to 8.5 percent), to which increasing values would be assigned.

That is, the interval 6.5 to 8.5 percent would receive a value of 1, the interval 8.5 to 10.5 percent would receive a value of 2, and so on, with anything over 14.5 percent receiving a value of 5.

These intervals were modified, however, once the actual distribution of unemployment rates became known. To account for the facts that it was possible for an area having an unemployment rate under 6.5 percent to be eligible for Title X assistance (e.g., a "redevelopment area" so designated by EDA owing to low area income or high outmigration) and that Indian reservations characteristically had excessively high unemployment rates (frequently in excess of 20 percent), two additional categories were required. Additionally, some intervals included a large number of proposals, while others contained only a few, thus requiring some adjustment in the remaining categories.

The intervals finally determined and their associated scores were:

<u>Unemployment Rate</u>	<u>Score</u>
less than 5.5%	0.5
5.5% to 6.5%	1.0
6.5% to 7.5%	2.0
7.5% to 10.0%	3.0
10.0% to 15.0%	4.0
15.0% to 20.0%	4.5
20% or greater	5.0

Because area unemployment rate was a legislatively required criterion, it received a policy weight of 5.

Leverage

The first of the three discretionary criteria, leverage, was determined by subtracting from the number 1 the ratio of Title X funds to total project funds to determine the relative share of total project costs from other sources. It was initially proposed that 20 percent of the projects having the lowest leverage values receive a score of 1, the next highest 20 percent a score of 2, and so on, with the 20 percent of the projects having the highest leverage values receiving a score of 5.

Based on the distribution of this attribute, however, the following scoring scheme was used.

Percentage of Total Project Costs
Represented by Title X Funds

	<u>Score</u>
100%	0.0
95% to 99%	1.0
90% to 95%	2.0
85% to 90%	2.5
80% to 85%	3.0
75% to 80%	3.5
50% to 75%	4.0
30% to 50%	4.5
0% to 30%	5.0

This criterion was assigned a policy weight of 2.

Indirect Benefits

In deriving a score for a project's indirect benefits (its potential long-term benefits for an area), proposal reviewers examined the short title of the project (provided on the SEC-887) and the description of the work encompassed by the project (also on the SEC-887). Then, on the basis of professional judgment, scores were assigned as follows:

<u>Project/Activity Type</u>	<u>Score</u>
Development-oriented project indicating clear possibility of generating permanent (long-term) employment	5
Project to train persons for permanent jobs	4
Project involving construction of needed facility	3
Project involving public service type employment	2
Apparent "make-work" project	1

This criterion was assigned a policy weight of 2.

Cost Effectiveness

The scoring procedure initially recommended for the Title X cost per man-month of employment criterion was also based on 20 percent increments, with progressively higher scores assigned to each. However, this procedure was changed once the actual distribution of values became available. The scoring scheme used was as follows:

<u>Cost Per Man-Month of Project</u>	<u>Score</u>
greater than \$6,000	0.5
\$4,500 to \$6,000	1.0
\$3,500 to \$4,500	1.5
\$3,000 to \$3,500	2.0
\$2,500 to \$3,000	2.5
\$2,000 to \$2,500	3.0
\$1,500 to \$2,000	3.5
\$1,000 to \$1,500	4.0
\$500 to \$1,000	4.5
0 to \$500	5.0

This criterion was assigned a policy weight of 1.

RANKING

The scores that each project obtained for each of the six criteria were combined into a composite score, which represented the project's score for ranking purposes, according to the following formula:

$$R = (a_1 + a_2) (x_1 \times x_2) + a_3x_3 + a_4x_4 + a_5x_5 + a_6x_6$$

where: R = rank score

a = policy weight assigned to the
criterion

x = score obtained for the criterion.

As in indicated in the formula, all assigned scores (all of which had a maximum value of 5) were multiplied by their respective policy weights and summed. The only exception to this was the labor value criterion, for which the raw score of labor intensity was multiplied by the assigned job match score, and the product multiplied by the sum of the two policy weights involved. Projects were then ranked according to their rank scores, with 100 being the maximum number of points obtainable.



APPENDIX G

REVISED FORM SEC-887

SUMMARY OF EVALUATION AND FINDINGS
TITLE X

Serial No.

1	2	3	4	5	6	7	8	9	10	11
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INSTRUCTIONS

This form is to be completed in duplicate by departments, agencies or regional commissions for any program, project or activity for which Title X funds are sought. The project as described herein will be measured against its compliance with the provisions of Title X of the Public Works and Economic Development Act and the Title X requirements established by the Secretary of Commerce.

The project will also be measured against all projects proposed by other agencies.

Since the data required to be reported on this form will be automated to facilitate the processing of this application, it is important that the appropriate reporting instructions be followed explicitly.

Item numbers are not necessarily consecutive but are identifications needed for Department of Commerce processing.

Specific Instructions are listed below for each specific question.

Fill in ALL figures as right justified - i.e., enter the figure from right to left. For example, in entering a dollar amount of \$125,628, the figure would be entered in the blocks as

1	2	5	6	2	8
---	---	---	---	---	---

. Round all cents to the nearest dollar. Omit all (\$) dollar and comma signs. In entering percentage figures, note that the decimal point is preprinted on the form, where applicable.

1. Name of Department, Agency or Regional Commission making this proposal (TYPE or PRINT)

2-14 Fill in Agency Code as listed below:

0	2		
---	---	--	--

	Agency Code			Agency Code	
	14th	15th		14th	15th
Regional Action Planning Commissions	0	0	Interior, Department of the - Con.		
Ozarks Regional Commission	0	1	Bureau of Indian Affairs	5	4
Upper Great Lakes Regional Commission	0	2	Geological Survey	5	5
New England Regional Commission	0	3	Bureau of Mines	5	6
Coastal Plains Regional Commission	0	4	Bureau of Land Management	5	7
Four Corners Regional Commission	0	5	National Park Service	5	8
Old West Regional Commission	0	7	Bonneville Power Service	5	9
Appalachian Regional Commission	0	6			
Pacific Northwest Regional Commission	0	9	Labor, Department of	6	0
Agriculture, Department of	1	0	Manpower Administration	6	1
Agriculture, Stabilization and Conservation Service	1	1	Public Service Career Grants	6	2
Farmers Home Administration	1	2	Office of the Secretary	6	3
Soil Conservation Service	1	3			
U.S. Forest Service	1	4	National Science Foundation	7	1
Environmental Protection Agency	2	1	National Endowment of the Arts	7	2
Federal Energy Administration	2	2	National Endowment of the Humanities	7	3
Federal Trade Commission	2	3	American Revolution Bicentennial Administration	7	4
General Services Administration	2	4	Tennessee Valley Authority	7	5
National Aeronautics and Space Administration	2	5	Transportation, Department of	8	0
Interstate Commerce Commission	2	6	Bureau of Public Roads	8	1
Energy Research and Development Administration	2	7	Federal Aviation Administration	8	2
Small Business Administration	2	8	Urban Mass Transit Administration	8	3
Veterans Administration	2	9			
Health, Education and Welfare, Department of	3	0	Community Services Administration	9	1
National Institute of Health	3	1	Maritime Administration	9	8
Office of Education	3	2	Federal Field Comm. for Planning in Alaska	9	9
Health Services Administration	3	3	Corps of Engineers	9	2
Housing and Urban Development, Department of	4	0	U.S. Army	9	4
Office of the Secretary	4	1	U.S. Air Force	8	9
			U.S. Navy	9	3
Interior, Department of the	5	0	Smithsonian Institution	7	6
Bureau of Outdoor Recreation	5	1	Action	7	7
Fish and Wildlife Service	5	2	Commerce and EDA	9	5
Bureau of Reclamation	5	3			

2-16 Fill in proposing agency project number or other symbol <div style="border: 1px solid black; padding: 2px; display: flex; align-items: center;"> 0 2 </div>	2-33 Show how these funds will be used: Enter "G" for grant "C" for contract "L" for loan "O" for other (Specify) 0 2
2-34 If funds will be used as Grants: Enter "F" if the work is performed directly (force account) Enter "C" if work is contracted out to private contractors Enter "B" if both (combination of above) Enter "O" for other (Specify) 0 2	2-35 Competitive bids (For Contracts or Grants as shown in box 34): Enter "C" if the contract or grant was subject to competitive bid. Enter "N" if not subject to competitive bid. 0 2
3-14 Name and address of grantee (or contractor, if known) <i>Print legal name and address</i> Name 0 3 <hr/> 4-14 Street Address 0 4 <hr/> 5-14 City, County or Parishes, State, Zip Code: 0 5 <hr/>	
6-14 Project location: Print city name, spelled as listed in the FIPS code manual. "Worldwide Geographical Location Codes"*. If project is not within city boundaries, leave item a, blank. If multi-city project, print name of all cities in item a. Code all entries as listed in the manual; multi-entry codes are shown at right of boxes. *FSS 7610-926-9078. <div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p>a. Print city name (or names if in multi-city area). 0 6</p> <p>b. Print county (exactly as in manual) or counties if in multi-county areas. 4 6</p> <p>c. Print state (exactly as in manual) or states if in multi-state areas. 4 6</p> <p>d. Enter congressional district number (e.g., Enter first district, etc., as 0 0 1). (If more than one, list each congressional district number)</p> </div> <div style="width: 35%; border-left: 1px solid black; padding-left: 5px;"> <p>City code (Use 9988 when project is in more than one city. If city is unlisted use 9999.) 0 6</p> <p>County code (Use 996 when project is in more than one county.) 4 6</p> <p>State code (Use 99 when project is located in more than one state) 4 6</p> <p>Congressional District code (Use 098 when project is in more than one district.) 4 6</p> </div> </div>	
7-14 Short title of project (For public information use): 0 7	
8-14 Nature of work (i.e., kind of project: water/sewer, campsites, training, etc.) 0 8	
9-14 Purpose of work (Describe end product of project: i.e., facilities for Industrial Park, expansion of recreational facilities, training for private employment, etc.) 0 9	
10-14 List major work force skills for this project (i.e., laborers, carpenters, clerical, supervisory): 1 0	
11-14 Skills continued 1 1	
12-14 Enter the one code which best describes how the skills required by this project can be met by persons who are presently unemployed in the project area (select code from below listing) If codes 1-5 are not appropriate, enter code from 6 - 0 group which best describes project work force. <div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="width: 60%;"> <p>Code Selection</p> <p>1 Project will extend employment of existing work force</p> <p>2 Project will permit recall of laid off work force</p> <p>3 Project requires special skills known to exist among unemployed</p> <p>4 Project requires skills which can be gained through on-the-job training, which will be provided</p> <p>5 Project requires more than 50% skilled, availability among unemployed not known until recruitment</p> </div> <div style="width: 35%;"> <p>6 Project work force less than 20% unskilled</p> <p>7 Project work force 20 - 40% unskilled</p> <p>8 Project work force 41 - 60% unskilled</p> <p>9 Project work force 61 - 80% unskilled</p> <p>0 Project work force 81 - 100% unskilled</p> </div> </div> <p>Enter the source of the above information which enabled you to make this judgement (i.e., state employment service, project manager, etc.):</p>	

Area and project classifications (Select the codes which best fit this project from the codes provided for each section):

13-14 A. Special Interest Code:

1	3	
12	13	14

Code Selection

- | | |
|--|--|
| 1 Bicentennial | 6 Railroads |
| 2 Energy research, conservation or development | 7 Other transportation |
| 3 National defense | 8 Historic preservation |
| 4 Environmental improvements | 9 Other special interest (Specify _____) |
| 5 Long term economic development benefits | Ø No special interest |

13-15 B. Urban/Rural Code

1	3	
		15

Code Selection

- | | |
|---------------------------------------|-----------------------------|
| 1 Urban - over 250,000 population | 4 Rural community |
| 2 Urban - 50,001 - 250,000 population | 5 Rural - outside community |
| 3 Urban - 5,000 - 50,000 population | 6 Rural - public lands |

13-16 C. Area of Activity Code

1	3		
		16	17

Code Selection

Sanitation, water supply, drainage

- 01 Dams, levees
- 02 Drainage ditches
- 03 Flood control
- 04 Reservoirs, wells, storage tanks
- 05 Sanitary sewers
- 06 Sewage collection
- 07 Sewage treatment
- 08 Storm sewers
- 09 Waterlines, viaducts
- 19 Other (Specify) _____

Transportation

- 20 Airports
- 21 Bridges
- 22 Highways
- 23 Port facilities
- 24 Railroad stations
- 25 Railroad tracks and railroad roadbeds
- 26 Railroads, other facilities
- 27 Roads and streets
- 28 Waterways
- 39 Other (Specify) _____

Buildings (excluding transportation bldgs.)

- 40 Arenas, auditoriums, museums, stadiums, theaters
- 41 Courthouses
- 42 Factories
- 43 Forts
- 44 Hospitals
- 45 Houses, apartment buildings
- 46 Industrial parks
- 47 Jails, prisons
- 48 Lighthouses
- 49 Multipurpose centers, community buildings
- 50 Nursing homes
- 51 Office buildings
- 52 Police, fire, and rescue facilities
- 53 Processing facilities
- 54 Schools, colleges, and other learning and training facilities
- 55 Warehouses
- 59 Other (Specify) _____

Recreation, wildlife, and natural resources

- 60 Agricultural centers, fairgrounds, and market areas
- 61 Boating and swimming facilities and boardwalks
- 62 Fish hatcheries and other fish facilities
- 63 Game preserves, wildlife refuges
- 64 Landscaping
- 65 Parks, campsites, comfort stations, recreation areas, picnic areas, rest areas, athletic facilities
- 66 Race tracks, stables
- 67 Rivers, lakes, streams, shores
- 68 Trees, shrubs, vegetation, flowers
- 79 Other (Specify) _____

Disciplines, products, trades, services

- 80 Air conditioning, refrigeration
- 81 Clerical services
- 82 Data processing
- 83 Drafting, mapping
- 84 Electrical wiring and fixtures
- 85 Fencing
- 86 Fire protection
- 87 Insect, rodent, disease control
- 88 Navigation aids
- 89 Security services
- 90 Schooling and training
- 99 Other (Specify) _____

13-18 D. Action within area of activity code:

1	3		
		18	19

Code Selection

- 01 Arrange, grade
- 02 Acquire, collect, obtain, procure
- 03 Change, exchange, replace
- 04 Compare, associate, correlate, evaluate, measure, relate, survey
- 05 Control, regulate
- 06 Create, develop
- 07 Dismantle, demolish
- 08 Eliminate, remove, excavate
- 09 Fix, cure, repair, restore, refurbish, remodel, redecorate, renovate
- 10 Furnish, provide, supply
- 11 Maintain, protect, support, uphold
- 12 Manipulate, maneuver, operate, use
- 13 Produce, construct, prepare, build, fabricate
- 14 Promote, advance, increase, extend, expand
- 15 Refine, purify, clean
- 16 Release, detach, free, separate
- 17 Retrieve, recover
- 18 Store, confine, hold
- 19 Transfer, convey
- 20 Transform, convert
- 99 Other (Specify) _____

13-20 E. Project location/ownership code:

1	3	
---	---	--

Code Selection

- 1 Federal buildings
- 2 Federal lands
- 3 Federal lands and buildings
- 4 Indian reservations
- 5 Government lands - not Federal

- 6 Government buildings - not Federal
- 7 Government lands and buildings- not Federal
- 8 Private - non-profit
- 9 Private - profit making
- Ø Other (Specify) _____

13-21 F. Labor intensity code:

1	3	
---	---	--

Code Selection

- 1 Labor costs (salary, benefits) are 75% or more of total project costs.
- 2 Labor costs (salary, benefits) are less than 75% of total project costs.

13-22 Is this project or activity one of the following?

1	3	
---	---	--

- 1 Funds to continue an existing activity or project.
- 2 Funds to restart a terminated activity or project.
- 3 Funds to initiate a new activity or project.
- 4 Costs to finance an explicit over-run on a previously approved activity or project.

13-23 Does this project accelerate an on going or planned activity, or advance an activity otherwise planned for Fiscal Year 1977? (Enter "Y" for Yes, "N" for No)

1	3	
---	---	--

ESTIMATED PROJECT FINANCING (Insure that the addition of Items A through E-1 equal Item F, total project cost).

14-14 A. Title X funds requested

1	4								
---	---	--	--	--	--	--	--	--	--

14-22 B. State funds available

1	4								
---	---	--	--	--	--	--	--	--	--

14-29 C. Private funds available (i.e., donations, trusts, etc.)

1	4								
---	---	--	--	--	--	--	--	--	--

14-36 D. Local funds available (i.e., county or city, etc.)

1	4								
---	---	--	--	--	--	--	--	--	--

14-43 E. OTHER FEDERAL FUNDS

1. Total other Federal Agency Funds (if there are 2 or more other Federal Agencies, show total Federal funds from all agencies).

1	4								
---	---	--	--	--	--	--	--	--	--

14-51 2. Enter code of the other agency providing the largest contribution in E1 above, if applicable. (Also, print name of all the funding agencies, if applicable. Refer to listing shown in Item 2-14).

1	4		
---	---	--	--

a. _____

b. _____

c. _____

d. _____

e. _____

14-53 F. Total project cost (Items A + B + C + D + E1 = F):

1	4								
---	---	--	--	--	--	--	--	--	--

16-40 Relationship to local plans (See Title X requirements Item 5)

A. Is an A-95 review required for this project? (Enter "Y" for Yes or "N" for No)
If No, answer 17-14C below. If answer is Yes, answer 16-41B.

1	6	
---	---	--

4.0

16-41

B. Was A-95 review conducted? (Enter "Y" for Yes, "N" for No or "P" for pending, if it has been scheduled).

1	6	
---	---	--

4.1

17-14

C. Explain how determination was made that activity is not inconsistent with locally approved plans. Explanation should fit within the three lines provided below. (To be completed only if the answer to 16-40 is "No".)

1	7	
---	---	--

1.2 1.3 1.4

8.0

18-40

1	8	
---	---	--

1.4

8.0

19-14

1	9	
---	---	--

1.4

8.0

20-14 COMMENTS BY LOCAL GOVERNMENT (See Title X Requirements Item 6)

Is applicant in Item 3-14 a unit of general government? (Enter "Y" for Yes or "N" for No)

2	0	
---	---	--

1.4

20-15 If Item 20-14 is "No", did appropriate unit of general government for the area have an opportunity to comment on specific proposal? (Enter "Y" for Yes, or "N" for No.)

2	0	
---	---	--

1.5

20-16 Date comments were requested from unit of general government for area.

2	0		MO		DA		YR	
---	---	--	----	--	----	--	----	--

1.6 2.1

Enter in the blocks below, the appropriate statutory/legal authority(ies) for this proposal.

21-14 A.

2	1					C	F	R					
---	---	--	--	--	--	---	---	---	--	--	--	--	--

 and/or

21-33 B.

2	1					U	S	C					
---	---	--	--	--	--	---	---	---	--	--	--	--	--

 and/or

21-32 C.

2	1					S	T	A	T				
---	---	--	--	--	--	---	---	---	---	--	--	--	--

Name, address and telephone number of official responsible for this project (project officer, etc.) from initiating agency:

Signature _____

Name _____

Address _____

Phone (_____) _____

Signature, name and title of official with authority to approve this project and obligate proposed funds.

Signature _____

Name _____

Title _____



THE SECRETARY OF COMMERCE
Washington, D.C. 20230

APPENDIX H

SECRETARIAL LETTER OF AUGUST 18, 1975

I am writing to you regarding an additional appropriation of \$375 million which has recently been made available for financing eligible projects under the terms of the Job Opportunities Program, Title X of the Public Works and Economic Development Act of 1965. You may recall that this new program, to provide job opportunities for unemployed persons, was initially implemented earlier this year with an appropriation of \$125 million. With this additional appropriation we must now repeat the process of identifying and providing financial assistance for projects effective in creating jobs in eligible areas.

I am, therefore, asking you and all other departments, agencies and Regional Commissions, by September 15, 1975, to:

- (1) Review the budget, plans and program including state, substate and local development plans filed with such department, agency or Commission;
- (2) Evaluate the job creation effectiveness of projects for which funds are proposed to be obligated and additional programs and projects for which additional funds could be obligated before December 31, 1975 with Federal financial assistance under this program;
- (3) Submit to me the recommendations for projects which have the potential to stimulate the creation of jobs for unemployed persons in eligible areas for which you are requesting Title X funds. (Projects proposed but not funded with the original appropriation may be resubmitted as part of these recommendations.) Within 30 days of the receipt of such recommendations, the Departments of Commerce

and Labor will jointly review such recommendations as required by the statute, and I shall make allocation of funds in accordance with Section 1003(a) of the Act.

For your assistance I have enclosed the complete text of Title X and the regulations and requirements established for the program. Also enclosed are forms necessary to document your evaluation of the projects you recommend to me for funding. (You may reproduce the form if a greater quantity is needed.)

In reviewing your programs and projects for potential job creating opportunities you should identify projects which:

- (1) Accelerate currently planned or ongoing activities;
- (2) Advance activities otherwise planned for FY 77 or later; or
- (3) Could otherwise be undertaken within your statutory authority.

We are particularly interested in receiving projects which accelerate ongoing activities or those currently planned for FY 77. These activities have already been carefully reviewed by your agency and found to have merit in terms of your agency's mission. Their selection, therefore, would be in keeping with an efficient utilization of Federal funds.

All proposals should:

- (1) contribute significantly to the reduction of unemployment in the eligible areas by employing unemployed persons;
- (2) be capable of being initiated or strengthened promptly;
- (3) be substantially completed within 12 months;
- (4) not be inconsistent with locally approved comprehensive plans for the jurisdiction affected, whenever such plans exist; and
- (5) be labor intensive.

This program is not intended to be limited to public works projects or public service jobs. You should give special attention to opportunities for stimulating jobs in the private sector, and opportunities for permanent jobs. Loans, grants, contracts or direct employment are all acceptable means of providing the appropriate assistance. We are seeking a wide range of projects which will impact in a timely and direct manner on unemployed persons.

At the same time we recognize that there are practical constraints on your staff and offices which you must consider in deciding if, how and in what manner you might participate in the Title X program. Obviously, you should not request financial assistance for more projects than your current staff could manage or administer. Before preparing your specific project recommendations, you should establish your own maximum level of projects to be submitted. In doing this, you should bear in mind that many other agencies are also submitting recommendations, and it is likely that no single agency will receive an inordinate portion of the funds available.

In considering projects for allocation of the initial \$125 million appropriation, we received 1,241 proposals with total requests for nearly \$185 million. After our review, analysis and ranking, we approved 877 of these projects, many of which are now underway. For your guidance, the following are some characteristics of the initial group of approved Title X projects:

- The median unemployment rate in the eligible area was 14.8 percent
- The average Title X cost per man-month of employment was \$645.35
- The average total cost per man-month was \$915.88
- The average labor intensity (percentage of labor costs to total costs) was 72.3

You can reasonably expect that the average successful project in this new review process will have characteristics similar to these. These factors, together with your ongoing policy, management and administrative demands should be of important guidance and assistance to you when considering your appropriate role in proposing Title X projects.

The selection criteria we have developed are drawn basically from the statute and its history. Each project will be given a numerical score for each criteria and then weighed and ranked on a priority basis, with 125 being the highest possible score. Factors considered and their maximum values are:

- (1) severity of unemployment - 25
- (2) availability of skills among the unemployed persons in the project area to meet the skill needs and be hired on the proposed project - 25
- (3) labor intensity - ratio of labor costs to total costs - 25
- (4) leverage - ratio of Title X funds to total funds - 5
- (5) long term employment - the ability of the project to generate long term employment - 5
- (6) cost effectiveness - the cost of creating a man-year of employment - 15
- (7) indirect benefit - this is based on whether the proposed project has been carefully reviewed as an ongoing or planned FY '77 program - 25

With your cooperation we plan to move quickly to review, approve and transfer funds to those agencies and Regional Commissions with successful projects according to the following schedule:

- Not later than September 15, it will be necessary for you to have completed and delivered to us your recommendations for job-creating programs or projects to be carried out with financial assistance under Title X. These must be documented on the form SEC-887 (revised).
- Within an additional 30 days, but not later than October 15, we will have made our review, according to the criteria described earlier, selected approved projects and transferred funds to sponsoring agencies. All funds transferred under the terms of Title X must be obligated not later than December 31, 1975.

Forms for reporting on employment, work accomplished, and project financing will be forwarded subsequently to those who have projects approved and for which funds are transferred. Those departments, agencies and Regional Commissions who receive transferred funds among other provisions, must provide assurance that:

- (1) Employers under Title X shall hire previously unemployed persons who are the most severely disadvantaged in terms of length of time unemployed and reside in the eligible area in which the project is located.

- (2) All hiring for projects or programs financed under the provisions of Title X must commence within 120 days from date of transfer but not later than February 15, 1976, except where construction projects are delayed by climatic conditions.
- (3) At least seventy-five percent (75%) of the activities funded under this Title X grant will be completed within twelve (12) months from date of allocation of such funds.

In summary, we hope you will join with us in insuring that the new funding opportunity provided in Title X will be used to create job opportunities in an efficient, timely and beneficial manner. Your cooperation in providing us with projects which are responsive to the intent of Title X and within our stated time frame will be greatly appreciated, and critical to the success of the program.

Sincerely,

Secretary of Commerce

Enclosures

PENN STATE UNIVERSITY LIBRARIES



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